Wednesday January 5, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (1/4): 55,633 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$44-54 per MWh, Ave. = $47.1
• Approximate change from previous week	$ +1.0 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$43.92 per barrel (year ago: $32.52)
• Seattle gasoline price (1/4)	$1.86 per gallon (year ago $1.56),
• Natural gas, Sumas Hub:	$5.53 per million British Thermal Units (year ago $5.28)
• Approximate change from last week.	Oil: +2.14 $ per barrel; Nat. gas: -0.59 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Natural gas prices clobber consumers (Consumer Federation of America, Dec. 15)
- Chile cuts emissions, helps Japan, Canada (NYT, Jan. 3)
- Richland Wash. Utility mulls cow power (Tri-City Herald, Dec. 28)

5. River and Snow Pack Information (Updated: Dec. 17, 2004)

- Observed Nov. stream flow at The Dalles: 98.8% of average,
- Observed Dec. precipitation above The Dalles: 92% of average,
- Observed Jan.-July runoff at The Dalles: 84 MAF, 78% of normal,
- Federal hydropower generation in Nov.: 7,359 aMW, 1995-2002 average: 7,593 aMW.
- Winter supply outlook: The region has a 1,000 average megawatts energy surplus. The likelihood of a power shortage for the winter of 2004-05 from generation system inadequacies is less than 1%.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Jan. 4, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 3,053 MW
  - Canada (exported to) 209 MW
  - Net power export: 3,362 MW

Natural Gas Price Increases Clobber Consumers, Comprehensive Policy Essential to Meet Long Term Needs

Consumer Federation of America, December 15, 2004

Congress must quickly enact policies to improve energy efficiency and promote alternative sources of natural gas to respond to the turmoil in natural gas markets, a report released today by the Consumer Federation of America (CFA) concluded.

"The 60 million households that heat with natural gas will spend an average of almost $1,400 for natural gas this winter," Dr. Mark Cooper, CFA's Director of Research said, "and for low income households the natural gas heating bills will eat up 10 percent of their income. Policymakers can no longer ignore the urgent need to adopt a comprehensive natural gas policy."

"Natural gas wellhead prices have doubled in the past half decade and gas markets have moved into a permanent state of turmoil, with wild spikes around an upward spiral," Cooper added. "A hint of bad news sends prices skyrocketing, but good news does little to reduce the pressure."

The report, entitled *Responding to Turmoil in Natural Gas Markets: the Consumer Case for Aggressive Policies to Balance Supply and Demand*, points out that natural gas is a vital source of energy –

- used for heat by 57% of all households,
- the fuel of choice in 90% new electricity generation plants,
- raises prices for all goods and services throughout the economy, and
- the cleanest burning of the fossil fuels.

The report concludes that a business-as-usual approach to natural gas markets will not work because it will lead to a huge shortfall over the next two decades that would cause price increases and place a severe burden on household budgets and industries that rely heavily on natural gas.

"The key to vigorous policy action is to acknowledge the need to reduce pressures on the market and build a consensus around the direction of policy action," Cooper said. "A balanced solution must include policies that address short, mid and long term needs and affect both the structure of the market as well as the conduct of market participants."

The report evaluates policy alternatives in terms of their economic, environmental and security impacts.

- Strong measures to ensure transparency of market pricing and to dampen volatility through storage and fuel switching are needed to ensure that markets are free of manipulation and to establish the credibility of claims that there is a "hard" problem in the imbalance of supply and demand.
- Increasing energy efficiency is superior to supply-side alternatives across all the criteria specified for policy evaluation and can fill a significant part of the need, but is insufficient to provide the entire solution.

- Supply-side alternatives that rely on non-traditional domestic natural gas sources should play an important role. These include coal gasification and the construction of the Alaska natural gas pipeline, which will bring a substantial new resource to market.
- Expansion of liquefied natural gas imports poses environmental challenges and is likely to come from foreign sources that are controlled by members of the OPEC cartel or suppliers with market power.
- Drilling in sensitive environmental wilderness and offshore areas ranks lowest in priority because it can, at best, be considered to address the mid-term term transition to other sources and may have potentially large environmental costs.

"The energy policy season has started early this year, with think tanks and Senators calling for action, but if they do not recognize that this a pocketbook issue and balance the needs of consumers and producers, they will never build the base of popular support needed to move ahead," Cooper concluded.

Chile Cuts Emissions, Helps Japan, Canada

NYT January 3, 2005

Pig manure in Chile will keep neon lights glowing on Tokyo's Ginza in years to come. It's a grand north-south tradeoff to slow global warming: You reduce your ``greenhouse gas'' emissions so I don't have to cut back on mine.

In this case, a Chilean pork producer is eliminating methane fumes from animal waste and selling the resulting ``credits'' to Japanese and Canadian utilities, requiring that much less of them as they reduce carbon dioxide emissions at their coal- and oil-burning power plants.

It's one of the biggest deals in a potential multibillion-dollar market, a global exchange a Canadian executive calls ``absolutely essential'' for meeting targets under the Kyoto Protocol. But some warn that abuses may subvert the spirit of that climate treaty.

Last month in Buenos Aires, Argentina, the annual international climate conference approved an expansion of this Clean Development Mechanism, or CDM, as the exchange is called, and a strengthening of the U.N. office overseeing it.

Carbon dioxide, methane and a few other gases trap heat that otherwise would escape the atmosphere. A scientific consensus, endorsed by a U.N.-sponsored network of climate experts, blames much of the Earth's temperature rise of recent decades on these emissions, and warns it will lead to damaging climate disruptions.

The 1997 Kyoto pact, effective next Feb. 16, sets mandatory targets for industrial nations to reduce emissions by 2012. Although the U.S government rejects Kyoto, other nations are setting emissions quotas for industries that spew out the gases, particularly carbon dioxide, the most common.

The CDM was established under Kyoto on the theory that emission reductions help the climate wherever they occur. It allows northern industries to underwrite reductions in developing countries -- where they're not mandatory -- and get credit for them.

Japan says up to one-third of its required cutbacks may come from foreign sources. Don Wharton, director of sustainable development for Canada's TransAlta utility, said the CDM is ``absolutely essential'' because there's too little time to install new technologies at home.

``We believe most large Canadian companies will have to rely on offsets (credits) to meet their reduction requirements," he said.

TransAlta and Tokyo Electric Power Co. found a partial answer in pig manure pits in the green valleys south of Santiago.

Industrial pork operations usually collect excrement in pits where it decomposes naturally, emitting methane into the open air. But Chilean food producer AgroSuper, spotting the Kyoto opportunity, installed $30 million in technology to handle the waste of 100,000 pigs, covering pits with vast plastic sheets and drawing off the methane, some to flare, some to use in generators to power farm operations.

Though less prevalent than carbon dioxide, methane is a more potent greenhouse gas. Each ton of contained methane earns AgroSuper some 20 ``CERs" -- certified emission reductions equivalent to 20 tons of carbon dioxide.

The Chilean agribusiness will divide 400,000 CERs per year for nine years between the Japanese and Canadian companies. Wharton estimated this would meet 10 percent of TransAlta's needs for reductions.

A credit currently sells on the new European carbon market for about $10. But terms of the AgroSuper deal, still awaiting final U.N. approval, were not disclosed.

That carbon price is expected to rise, and big players are jumping into the market. A firm called CO2e (``carbon dioxide equivalent"), a subsidiary of the New York financial house Cantor Fitzgerald, brokered the AgroSuper deal and is developing another involving Brazilian power plants using sugar cane, a renewable fuel less carbon-heavy than coal or oil. China, meanwhile, is working to qualify more than 500 projects for salable credits.

Environmentalists worry that a flood of questionable projects may win U.N. certification as Kyoto comes into force in 2005. They cite CDM proposals for hydropower dams, for example, saying they're often ``business-as-usual" projects that aren't replacing carbon-heavy alternatives, but would have been built without the Kyoto trading mechanism.

``The fact they're getting CDM credits is not helping the climate," said Ben Pearson, Australian founder of a campaign called CDM Watch. He said climate change will be slowed not through ``marginal" projects with animal waste, but by addressing ``the real issue, which is to fundamentally reform the way we produce and consume energy."

Santiago lawyer Sergio Vives, who helped negotiate the AgroSuper deal, defends it as a real reduction.

``It's quite clear they probably wouldn't have gone ahead with this technology" -- and methane would still rise into the atmosphere -- ``without an incentive like the CDM," he said.

The world is taking notice of South America's porcine potential.

A Florida-based firm, AgCert, is installing methane-capture technology at 30 pig farms in Brazil. In one Brazilian state alone, Minas Gerais, 3.4 million pigs produce 7 million tons of waste per year -- a lot to work with to keep lights burning in the credits-hungry north.

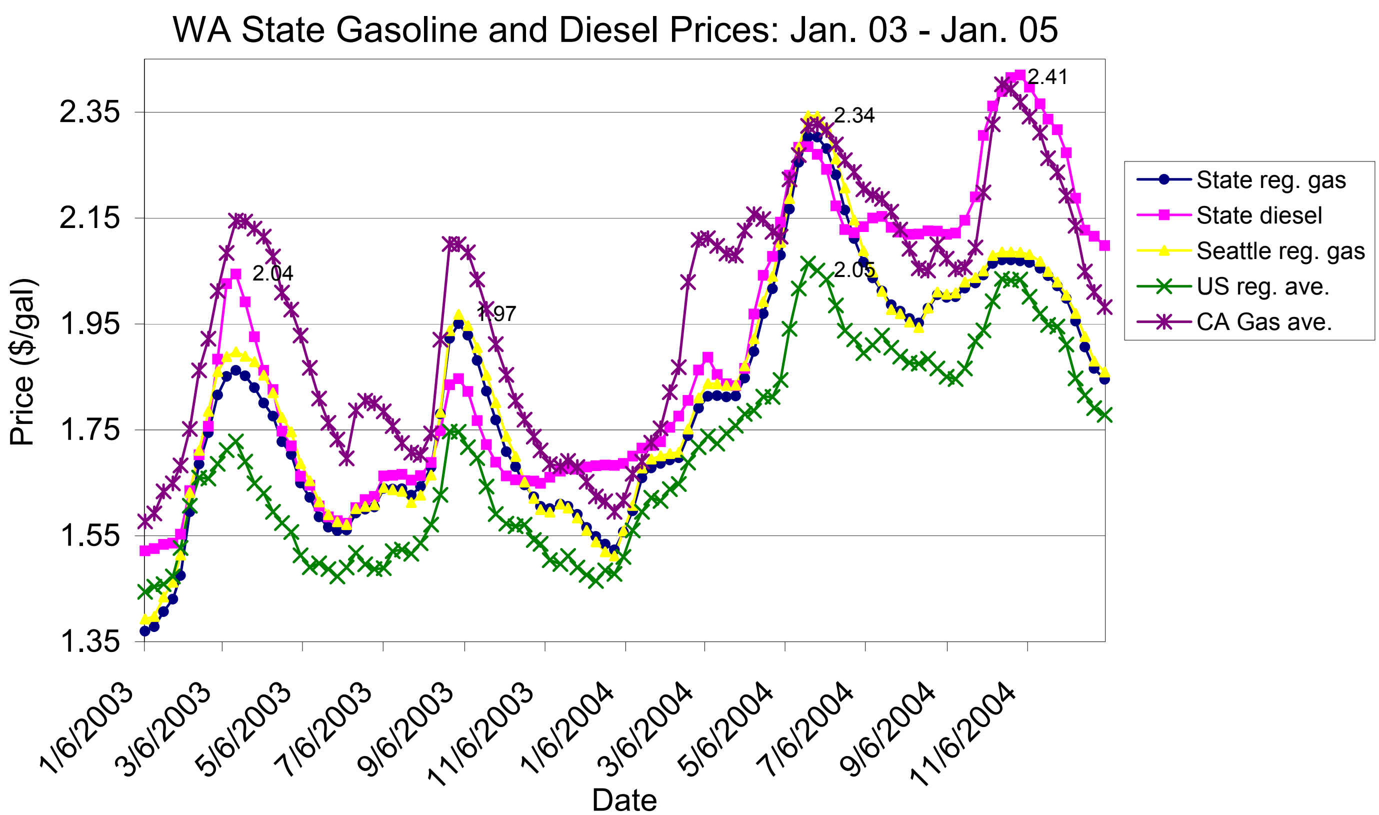
Richland, Wash.-Based Utility Mulls Cow Power

Dec 28 - Tri-City Herald

Energy Northwest is at a crossroads with its pilot project that turns cow dung into kilowatts.

After the energy utility sank about $750,000 in equipment and staff time into its setup at a Franklin County dairy near Pasco, tests suggest the facility could produce as much as twice the power that traditional biogas digesters have.
The problem is, that's still not enough to drive the price per kilowatt-hour down to a competitive level.
"People will pay a little extra for green power, but not a lot extra," said Dan Porter, a project manager for Energy Northwest. The public power consortium operates the nuclear plant north of Richland, a solar plant at the nuclear site and the wind farm south of the Tri-Cities. The utility is awaiting a review from a Washington State University microbiologist before deciding whether the technology is commercially viable.
Generators fueled by methane extracted from dairy waste haven't yet produced power cheap enough to be viable in the Northwest, where electric rates still are among the nation's lowest despite drastic increases in the past four years.
How much power can be produced determines how much that power will cost. At best, traditional setups that have processed solid dairy waste have managed to generate 0.2 kilowatts per cow.
Energy Northwest had hoped the system it has been testing, developed by Kennewick's Soil Search LLC, would produce 1 kilowatt per cow. That system, set up at Franklin County's 5D Farms, extracts solids and sucks methane from a giant lagoon of manure-laced water covered by a polyvinyl blanket.
The lagoon can be heated to stimulate methane production and the blanket keeps the methane from escaping. Based on readings taken over the past year, Energy Northwest believes the system could generate between 0.3 kilowatts and 0.5 kilowatts per cow.
That's a far cry from the initial target but a substantial improvement over other technologies.
"We set some pretty ambitious goals," said Energy Northwest spokesman Brad Peck. "I don't want to leave you with the impression we're disappointed. We feel pretty good about how much we've learned."
Others may consider it a significant step toward commercial viability, but Energy Northwest was hoping to make that jump entirely.
"We want to arrive at a product that we can deploy broadly," Porter said. "Biomass, we think, is close to being in the money. We need a breakthrough."
What's left to be seen is how much potential utility customers would be willing to subsidize a dairy waste generator, and whether farmers would be willing to chip in to compensate for the odor reduction the system provides.
A key finding learned in operating the facility was that ongoing dairy operations can't be disturbed. Those operations can affect an array of variables that could negatively modify the waste stream -- things such as what cows are fed, what their bedding consists of and how frequently waste is washed into the lagoon.
For now, Energy Northwest is simply venting the methane being produced at 5D Farms while it reviews its findings and decides what to do. A decision may yet be several months out.
"We learned a tremendous amount but we didn't get there," Porter said of the methane production levels achieved at the site. "The nut we have to crack is 'is that good enough?' "

Gasoline and diesel fuel prices continued their steep decline through the holiday season. Prices have dropped nearly 22 cents/gal since the recent price spike in September. and October. Fuel prices are still 30 cents/ gal above last year's prices and may not decline much further as they typically reach a low point in early January. Historically, fuel prices begin a gradual increase in February and March as demand also increases, and tend to peak in June or July.



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• Approximate change from previous week	$ +9 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$45.69 per barrel (year ago: $34.85)
• Seattle gasoline price (1/11)	$1.84 per gallon (year ago $1.61),
• Natural gas, Sumas Hub:	$5.71 per million British Thermal Units (year ago $6.05)
• Approximate change from last week.	Oil: +1.77 $ per barrel; Nat. gas: +0.18$ per MMBtu

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- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
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4. Energy News Headlines from around the Nation

- Gasoline prices follow dropping oil prices (Seattle PI, Jan. 10)
- Power the Future (Seattle PI, Jan. 10)
- Flying J to buy Shell oil refinery (LA Times, Jan. 11)
- Asian Rivals Put Pressure On Western Energy Giants (Jan. 10, Wall Street Journal)

5. River and Snow Pack Information (Updated: Jan. 11, 2004)

- Observed Dec. stream flow at The Dalles: 111.3% of average,
- Observed Dec. precipitation above The Dalles: 77% of average,
- Forecast Jan.-July 2005 runoff at The Dalles: 85.6 MAF, 80% of normal,
- Federal hydropower generation in Dec.: 8,976 aMW, 1995-2002 average: 9,286 aMW.
- Winter supply outlook: The region has a 1,000 average megawatts energy surplus. The likelihood of a power shortage for the winter of 2004-05 from generation system inadequacies is less than 1%.

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- Average flow of power during the last 30 days

o California (exported to)	2,781 MW
o Canada (exported to)	235 MW
o Net power export:	3,016 MW

Gasoline prices follow dropping oil prices

By ANNE DORFMAN, BLOOMBERG NEWS, Seattle PI, Jan. 10

U.S. gasoline pump prices fell 3 1/2 cents in the past three weeks to an average of $1.79 a gallon, Trilby Lundberg said, citing a survey of 7,000 filling stations by her Camarillo, Calif., research firm.

The lowest price for gasoline was in Norfolk, Va., at $1.65, according to Lundberg's survey. The highest was Honolulu, at $2.32. The average price for self-serve regular gasoline on New York's Long Island was $1.95.

"This is a continuation of falling oil prices affecting gasoline prices," Lundberg said. "Gasoline prices could fall a bit further, but I think that's doubtful. Wholesale gasoline prices have been rising in recent days in much of the country."

Retail gasoline prices are down by 25 cents since Oct. 22, according to Lundberg's data, matching a decline in benchmark crude oil futures prices.

Crude oil for February delivery rose 4.6 percent last week, ending at $45.43 a barrel on the New York Mercantile Exchange.

That's 18 percent below the all-time high of $55.67 reached Oct. 25; at its lowest last week, oil was off 26 percent from its peak.

Lundberg said January is the month of lowest gasoline consumption in the United States. "After that, our consumption picks up, putting pressure on gasoline supply, and sometimes the effect on price is discernible."

Gasoline futures, based on New York wholesale prices, rose almost 12 percent last week on the Nymex, ending at $1.2142 a gallon.

Power the future

SEATTLE POST-INTELLIGENCER EDITORIAL BOARD, Jan. 10

We can't keep wasting energy. Across the political spectrum, Americans know that financial, environmental and even national security reasons dictate the need to be smarter about the energy choices we make.

But, even amid rising energy prices, we've stayed stuck in wasteful patterns for decades. An independent, bipartisan group of energy experts last month handed the country a promising blueprint of ideas on reducing foreign-oil dependence, addressing global warming and promoting a wider variety of energy sources.

The National Commission on Energy Policy's report has something for everyone to like and hate. It calls for strong action against greenhouse gases, which will drive many conservatives wild, and development of demonstration projects with advanced nuclear power plants, a taboo on the left.

The report should offer opportunities for those with creative energy ideas like U.S. Rep. Jay Inslee, D-Wash., to push discussion forward. Inslee just joined the House Energy and Commerce Committee.

The Bush administration took office with Vice President Dick Cheney trying to create a national energy policy. The effort was tainted from the start by Cheney's secrecy and special-interest favoritism.

The administration and the country have a fresh chance on energy policy. The report should energize discussions that go beyond arguing to acting on the kinds of changes we all sense are needed.

Flying J to Buy Shell Oil Refinery

• The deal, coming weeks before the Bakersfield plant's planned closure, could be a boon to California motorists.

By Elizabeth Douglass, LA Times, Jan 11, 2005.

Shell Oil Co. said Monday that it would sell its Bakersfield refinery to one of the largest truck-stop chains in the U.S., giving a surprise reprieve to California motorists.

The deal with Ogden, Utah-based **Flying J** Inc. came weeks before the facility's planned March 31 closure. It could spare supply-strapped California the loss of 2% of its gasoline supply and 6% of its diesel.

Terms of the sale to closely held Flying J's refining subsidiary, Big West Oil, weren't disclosed. But sources familiar with the transaction said Shell — which had planned to spend $200 million to clean up and dismantle the facility — would receive $130 million for the 73-year-old refinery.

Hopes for a sale had been dashed last month when Shell said it had broken off negotiations with its leading suitor, New York investment firm **Kelso** & Co. Flying J was among a short list of earlier bidders.

"The continued operation of Shell's Bakersfield refinery would be a victory for California drivers," said state Atty. Gen. Bill Lockyer, one of several public officials pressuring Shell to sell the refinery.

"The state's gasoline market is dysfunctional and plagued by supply problems," Lockyer said in a statement. "The people who ultimately pay the price are our drivers, who shell out more at the pump than any other consumers in the nation."

A bonus for consumers is that Big West would expand the refinery to boost its gasoline output, said Fred Greener, executive vice president of the Flying J subsidiary.

"I think it's a great opportunity for us," Greener said Monday. "We're pretty excited."

The purchase is subject to some regulatory approvals, but Greener said Big West hoped to complete it by the end of February. Big West would retain "a large portion" of the plant's 210 employees and abide by the plant's existing collective bargaining agreement, according to Shell.

In Bakersfield, refinery employees were surprised and cheered.

"It doesn't get any better than this," said one who asked not to be identified. "There hasn't been anybody really happy around here in a long time…. Today everybody's smiling, giving me thumbs up."

Shell Oil President Lynn Laverty Elsenhans said in a statement that the company was "pleased with this sale agreement, which we recognize is important to many people in Bakersfield and beyond.

"While the facility is no longer strategic to Shell and does not meet our criteria for continued investment, Flying J sees an opportunity," she said.

David Hackett, an industry consultant and president of Irvine-based Stillwater Associates, applauded the deal because it would keep the refinery open and "brings another competitor into the market who likely has fresh ideas."

Flying J operates more than 165 truck stops in Canada and 41 states, including California, with diesel sales of more than $7 billion, Greener said recently.

The company's Big West Oil unit operates a refinery in North Salt Lake City, Utah, where it processes 35,000 barrels a day of crude oil.

As for the 70,000 barrels a day of crude oil needed to run the Bakersfield refinery, Greener would say only, "We plan to have enough crude, and we have confidence that we will."

Shell's announcement in late 2003 that it would close the Bakersfield refinery by Oct. 1, 2004, sparked antitrust investigations by the state attorney general and the Federal Trade Commission.

The company said the refinery was no longer economically viable because of dwindling oil supplies in the San Joaquin Valley, where the plant draws its crude.

Shell had said it made no effort to sell the facility because no one would want it.

In recent weeks, pressure increased on Shell to make a deal as Lockyer issued subpoenas for documents, communications and notes related to the oil company's negotiations to sell the refinery.

Flying J was founded in 1968 with four fuel stations by Osborne Jay Call, who was killed in a plane crash nearly two years ago.

Related companies offer a variety of services to truckers, including Internet access, insurance and truck fleet sales. Flying J's sprawling truck plazas often feature convenience stores, restaurants, motels, banking facilities and even floral delivery.

Asian Rivals Put Pressure On Western Energy Giants

In a String of Recent Deals, China, India Display Clout, Funds and Stomach for Risk

By ANDREW BROWNE BHUSHAN BAHREE, PATRICK BARTA, and JOHN LARKIN
THE WALL STREET JOURNAL, *January 10, 2005*

Major Western oil companies, already feeling squeezed as easy-to-exploit oil and natural-gas fields become scarcer, have brash new rivals to contend with in Asia.

As a flurry of proposed and completed deals attest, energy companies in India and China want bigger slices of the global oil patch. They're aided by the political and financial might of their government backers and spurred by the need to keep their billion-person economies racing ahead and to ease their dependence on oil and gas imports.

The companies have other advantages. They don't shy from oil-rich countries like Sudan deemed too dangerous or politically unsavory in the West. They settle for less-favorable commercial terms that scare away Western competitors cowed by demanding shareholders. And they're more prepared to risk losses drilling holes that come up dry.

On Friday, India signed a 25-year agreement to import liquefied natural gas from state-owned National Iranian Gas Export Corp. starting in 2009. It also agreed to develop three oil fields in Iran, the second-largest exporter after Saudi Arabia in the Organization of Petroleum Exporting Countries.

China and Canada could be ready this month to sign a general agreement on Chinese investment in Canadian oil resources, including so-called oil sands in the province of Alberta, although details are still sketchy.

India's state-owned Oil & Natural Gas Corp. said it had its eye on a stake in Yuganskneftegaz, the key oil-production unit of troubled Russian oil giant OAO Yukos. Yugansk, as it is known, produces 1% of world crude output. Just a few weeks ago, Russia said it would offer a minority stake in the same asset to China. There has been no official Russian comment on either deal.

And in the most eye-catching evidence so far of these global ambitions, China's third-largest oil-and-natural-gas company, China National Offshore Oil Corp., may be interested in buying Unocal Corp., the ninth-largest U.S. oil company in terms of reserves. Investment bankers in Hong Kong confirmed the Chinese company's interest.

"Over the next 10 years, Chinese and Indian oil companies will emerge as major players in the global oil industry," says Daniel Yergin, oil historian and chairman of Cambridge Energy Research Associates in Cambridge, Mass. "It reflects the reality of economic growth and the scope of China and India in the world oil market."

A key reason the Chinese and Indian oil companies have a chance to challenge the U.S. and European giants is that the Western majors are losing their stomach for risk. Investors in the majors insist on high returns on any drilling or exploration project into which the companies pour their dollars, a practice the industry dubs "capital discipline."

The obsession with returns derives from the 1990s, when the high-technology sector sucked in capital and the oil industry was seen headed the way of steel and coal, mature industries faced with low prices and dim financial prospects. The oil-price crash of 1997-1998 reinforced this view, and the more successful oil companies gobbled up weaker ones.

"At the end of the day, [Chinese and Indian companies] don't have shareholders," says Rick Mueller, an analyst at Energy Security Analysis Inc., a Wakefield, Mass., consulting company.

There isn't a Chinese Exxon Mobil Corp. on the horizon. Indian and Chinese companies lack the technology and know-how offered by their Western competitors. Some analysts question the commercial merits of China's interest in Unocal, and it would be a huge swallow for China National Offshore Oil. Politically, it might prove impossible for China to buy one of the biggest U.S. companies, even assuming any were for sale.

Nor does the growing economic might of China and India guarantee that they will spawn energy giants as mighty as Exxon Mobil or BP PLC. Japan, Asia's first economic superpower, tried in the 1970s and '80s to create a national oil powerhouse but failed.

But the Unocal idea indicates that China may have learned from Japan's mistakes. Japan invested heavily in exploration; China is more focused on buying existing, producing assets. And while those fields don't come close to meeting China's demand, they give its oil companies an opportunity to pick up the technical expertise they need to become more formidable competitors to Western rivals in the years ahead. India, too, is going for existing oil and natural-gas assets abroad.

China, long self-sufficient in oil, is now becoming one of the world's biggest importers, and accounted for more than half of world oil-demand growth in 2002 and 2003. The IEA expects China to be importing 82% of its oil by 2030. Right now, China's biggest oil companies have massive reserves but aren't nearly as productive as the Western majors. What is more, it now appears that predictions of an oil bonanza in China's offshore fields and in its remote far west have been overblown, giving added impetus to China's overseas shopping expeditions.

India has the world's fastest-growing car market, which is driving oil consumption and imports. The International Energy Agency forecasts oil demand in South Asia will grow by 3.3% a year between 2000 and 2030, the highest of any region in the world.

The Western majors and the Asian energy companies all face the same big problem: a lack of easy-to-tap oil. The vast oil reserves of the Persian Gulf states, some two-thirds of the world's total, are mostly off-limits to foreign companies. International oil giants jealously guard choice assets elsewhere, and have already picked over the best of the smaller oil companies on sale. China was rebuffed in 2003 by Western majors when it tried to grab a stake in an enormous field in Kazakhstan.

At the same time, the growing obsession of China and India with owning oil and gas assets for energy security means they are likely to pay high prices.

The Chinese, despite their famed negotiating skills, "are noted for overpaying" in the commodities sector, says David Hurd, a Hong Kong-based energy analyst with Deutsche Bank. Japan discovered how costly miscalculation can be when it tried to develop its own energy giant: A state-owned Japanese oil-exploration company ended up as a black hole for taxpayers and was disbanded last March with debts of at least one trillion yen, or about $9.5 billion, and little oil to show for its 300 exploration projects. Japan now buys its oil on global markets.

Another problem for the huge Asian neighbors may be their own rivalry. Distrust runs deep between them. ONGC Videsh, the Indian unit dealing with equity oil purchases, has spent more than $3.5 billion since 2000 in its global hunt for energy. Most of this has gone to stakes in blocks in Syria, Angola, Russia and Sudan. But the Chinese regularly outbid India for the juiciest leases. As a sweetener to a deal last year in Angola, the Chinese extended a $2 billion loan to help the nation build infrastructure after three decades of civil war. While the deal has yet to be completed, industry observers say India seems to have been left out in the cold after offering substantially less in credit.

"They get beaten by the Chinese on almost every important deal nowadays," says Madhu Nainan, editor in chief of Petrowatch, an online petroleum-industry newsletter in India. "Maybe the Indians aren't willing to play the game the way the Chinese are."

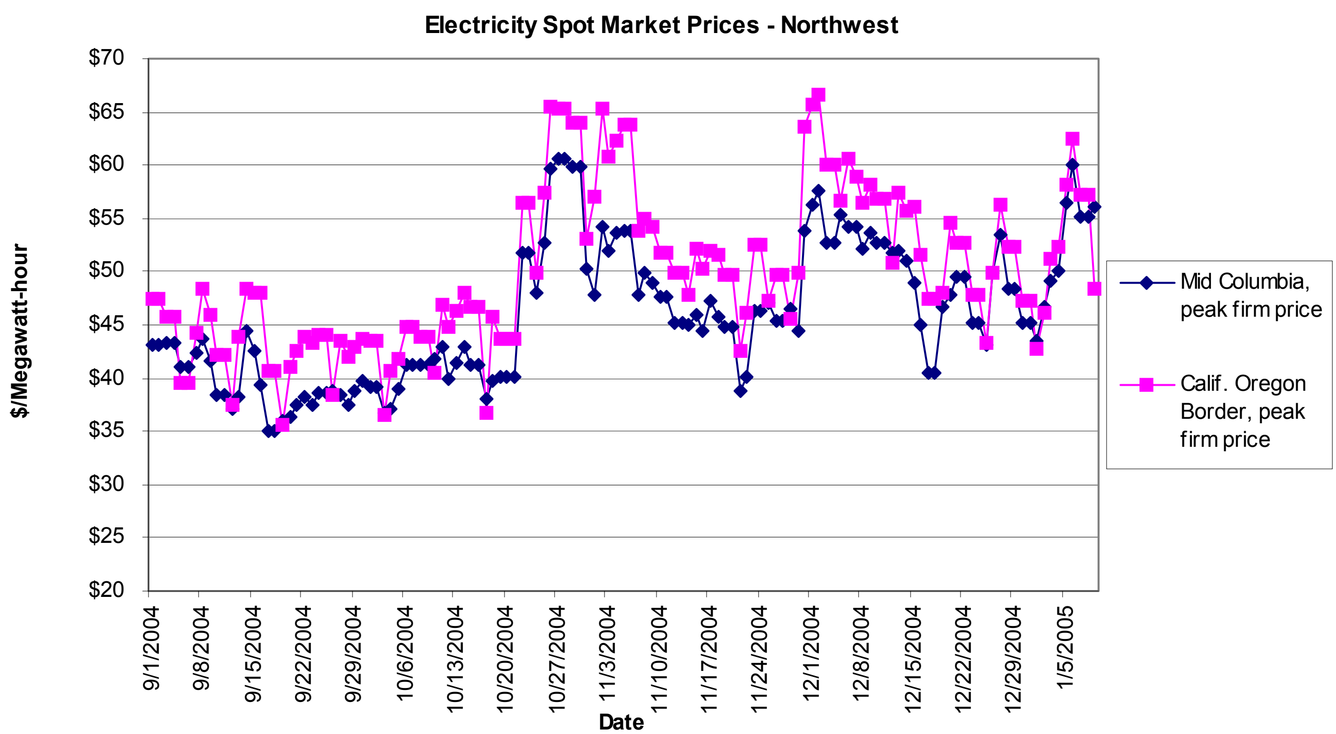
China is worried that most of its oil is shipped on sea lanes that run close to the Indian subcontinent, says Mikkal Herberg, director of the Asian Energy Security Program at the National Bureau of Asian Research in Seattle. Partly to counter this, Mr. Herberg says, it is projecting its navy into regional waters. That, in turn, has India worried about the security of its own sea lanes. "There is the potential in broad terms for rivalry between China and India," he says.

China and Japan are already scrambling for resources in Russia. Beijing felt bitterly betrayed this month when Moscow opted to build an oil pipeline from Siberia to the Pacific coast, a jumping-off point for Japan, instead of to China's oil heartland around Daqing in the northeast.

When China pitches for energy business in countries from Angola to Ecuador it can offer a wealth of inducements -- everything from interest-free loans to help building phone networks, plus political benefits that flow from its role as a permanent member of the United Nations Security Council.

Some oil strategists see this kind of broad state-to-state cooperation as a potential threat to the current energy giants in the private sector. Indian and Chinese oil companies often act less as commercial entities and more as extensions of government policy. In the future, some oil experts say, big oil-producing countries will increasingly cut deals directly with big oil-consuming countries, leaving state companies to ink in the details.

Electricity spot market prices are trending towards the high end of the normal range for this time of year. The elevated price of natural gas price is a major factor in the higher electricity spot market prices.



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- Approximate change from previous week $ -2.5 per MWh
- "Normal" price range, before 5/00 $20-$40 per MWh
- Petroleum, West Texas Intermediate: $48.39 per barrel (year ago: $33.91)
- Seattle gasoline price (1/18) $1.82 per gallon (year ago $1.68),
- Natural gas, Sumas Hub: $5.91 per million British Thermal Units (year ago $4.18)
- Approximate change from last week. Oil: +2.70 $ per barrel; Nat. gas: +0.20 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Paying to ease greenhouse gases – and consciences (LA Times, Jan. 19)
- Energy agency warns that oil prices could surge again (NYT, Jan. 19)
- Developing regional solutions to global warming's challenge (Seattle Times, Jan. 11)
-

5. River and Snow Pack Information (Updated: Jan. 11, 2004)

- Observed Dec. stream flow at The Dalles: 111.3% of average,
- Observed Dec. precipitation above The Dalles: 77% of average,
- Forecast Jan.-July 2005 runoff at The Dalles: 85.6 MAF, 80% of normal,
- Federal hydropower generation in Dec.: 8,976 aMW, 1995-2002 average: 9,286 aMW.
- Winter supply outlook: The region has a 1,000 average megawatts energy surplus. The likelihood of a power shortage for the winter of 2004-05 from generation system inadequacies is less than 1%.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Jan. 18, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 2,234 MW
  - Canada (exported to) 296 MW
  - Net power export: 2,630 MW

Paying to ease greenhouse gases -- and consciences

By Dan Neil, LA Times Staff Writer, Jan. 19 2005

With the Kyoto Protocol set to go into effect in February, some Americans may be feeling left out — the United States withdrew from the international accord on climate change in 2001. But a new company, using a market-based system of carbon credits and debits not unlike Kyoto, allows drivers to pay to offset their cars' annual emission of greenhouse gases. Think of it as Kyoto for commuters.

The U.S. company, Benven LLC, sells a product called TerraPass, essentially a pricy bumper sticker identifying the driver as a volunteer in the fight against global warming. Benven directs the money from TerraPass sales toward clean energy and efficiency projects that will — if it all works as advertised — reduce overall carbon-dioxide emissions commensurate with their cars' output of the gas.

TerraPass emerged last fall from a classroom project at the University of Pennsylvania's Wharton School of Business, but began as a pang of guilt in the mind of professor Karl Ulrich, who drives his Ford F-150 pickup from Philadelphia to his farm in Vermont on the weekends.

"I'm an environmentalist, but I need this truck," Ulrich says. "On one of the trips it occurred to me that I'd be willing to pay to offset the impact of the truck."

With a no-interest loan from Ulrich, the class set up the Web-based, for-profit business (www.terrapass.com) offering three levels of carbon dioxide "remediation": four metric tons for $39.95; six metric tons for $49.95 and 10 metric tons for $79.95. For reference, a vehicle that gets 20 miles per gallon and travels 12,000 miles per year produces about five metric tons of carbon dioxide per year.

In the near term, the money TerraPass generates will be used to buy carbon credits on the Chicago Climate Exchange (www.chicagoclimatex.com), a commodities market-like organization whose members have committed to reduce greenhouse emissions. Benven then "retires" those credits, making that capital available to cover the marginal costs of purchasing more energy-efficient equipment, for example, or switching to renewable energy sources. Exchange members include Ford Motor Co., International Paper Co. and IBM.

Transportation represents about 25% of U.S. carbon emissions (slightly more in California), but electrical generation represents about 40%. Because it is generally easier to reduce carbon emissions in the production and conservation of electricity, Ulrich says, a carbon-conscious dollar spent with TerraPass goes further than one spent on a more fuel-efficient vehicle.

"A Toyota Prius costs about $3,000 more than a Corolla, and for that $3,000 you reduce carbon emissions by about 3 tons per year," says Ulrich. "But if you invested that $3,000 in TerraPass, you can save 375 tons of carbon."

Such arithmetic might make some environmentalists queasy. "Any program that reduces CO_2 is a good thing," says John Boesel, president of WestStart-CALSTART, a nonprofit organization dedicated to fostering clean transportation nationwide. "A win-win would be that people would be buying more efficient vehicles *and* taking these sorts of steps."

Ulrich acknowledges that TerraPass, in assuaging the guilt of those who drive gas hogs, could reduce consumer resistance to purchasing such a vehicle, but he says, "A customer who buys a TerraPass will be one that buys a responsible vehicle."

Ulrich, who has no financial interest in Benven, compares the program to recycling. "You don't have to recycle," he says. "People just do it."

Energy Agency Warns That Oil Prices Could Surge Again

By JAD MOUAWAD, NYT: January 19, 2005

After last year's record-breaking rally, crude oil prices might surge again this year if global demand does not slow, because the world still lacks sufficient production and refining capacity, the International Energy Agency said in its monthly report.

Consumption this year is expected to grow 1.7 percent, about half of last year's 3.3 percent growth. But an unexpected spike in demand from China or sudden cuts in global supplies could send the price soaring again while production, pipelines and refineries remain very tight, said the agency, a Paris-based advisory group to 26 industrialized countries.

The price of oil rose yesterday morning after the report was released, briefly touching $49.50 a barrel, but closed unchanged at $48.38 a barrel on the New York Mercantile Exchange after gaining nearly $3 last week. Markets in the United States were closed Monday.

Crude oil prices have nearly doubled in two years as the strong growth in consumption has made it hard for the industry to keep up. The Organization of the Petroleum Exporting Countries lifted its output to a 25-year high last year in a bid to put as much oil on the market as possible and meet a surge in demand that few had anticipated.

After being criticized for misreading consumption early last year and playing down the impact of growing demand in Asia, and especially in China, the energy agency prefaced its report with a note of caution and a list of questions it left largely unanswered.

"Most forecasters, the I.E.A. included, expect oil demand growth to slow in 2005 from the torrid pace of 2004," the report said. "But what happens if it doesn't? Given that last year's demand growth came as a complete surprise to market participants, how can one dismiss concerns that demand growth might once again be underestimated?

"If oil consumption were to surge in 2005 as fast as in 2004, would producers be able to rise to the challenge?"

The agency's monthly assessment of oil markets is among the most widely circulated reports in the industry. It is used by OPEC members to set policy and by analysts to write market reports.

Demand this year is expected to reach 83.9 million barrels a day, up 1.4 million barrels from last year, according to the energy agency's latest forecast. While significant, that falls short of last year's increase of 2.7 million barrels a day.

Some analysts faulted the agency for once again underestimating how much more oil China would consume. The agency said it expected demand there to grow this year by 360,000 barrels a day, to 6.73 million barrels a day. Last year, Chinese demand grew by 850,000 barrels a day, and was the largest contributor to the surge in the world's consumption.

"They massively underestimated growth for China last year and are underestimating growth again this year," said Kevin Norrish, an oil analyst at Barclays Capital in London.

At the beginning of last year, the agency forecast global demand to reach 79.6 million barrels a day for 2004; in the latest report it estimated that actual demand was 82.4 million barrels a day.

Today, prices are still close to the record of more than $55 a barrel reached in October after a series of production breakdowns in the Gulf of Mexico and the North Sea, while markets remain concerned about the stability of major oil producers like Iraq, Venezuela, Nigeria and Russia.

"Demand is the wild card here," said Katherine B. Spector of J. P. Morgan Chase. "But you don't need a collapse in demand to alter the picture. You could have incremental change."

Developing regional solutions to global warming's challenge

By William Ruckelshaus and K.C. Golden, Special to The Seattle Times, Jan 11

The facts about global warming are becoming clear. We don't know everything about it, but we know it is happening. We know human activities, primarily burning fossil fuels, are very probably the dominant cause. We know it is likely to disrupt our economic and environmental systems if we don't change course.

This is the judgment of one of the most exhaustively peer-reviewed scientific collaborations in history, the Intergovernmental Panel on Climate Change (IPCC).

We also know that practical solutions are available — solutions like efficient cars and buildings that save money and reduce fossil-fuel dependence. We know that responsible public policies can limit emissions and encourage investment in clean energy. In other words, we know that we must and can act.

Global warming is a local and regional issue. University of Washington climate scientists project that we are on course to lose 50 to 70 percent of the Cascade snowpack by the 2050s. Snowpack is the water-storage system for the hydroelectricity that powers our economy and the irrigation that makes agriculture possible. Without it, we would lose a major source of our prosperity, and much of our salmon habitat.

The effects of global warming on the world's poor are unconscionable. People living on the economic margin cannot handle disruptions to their food and water supplies. Nor can they afford to pioneer solutions. Developed nations paved the way to prosperity using fossil fuels; now we can and must pave a new way, powered by clean, efficient energy systems.

This is a big challenge, but the steps we need to take now are clear. First, we need to waste less energy. Increasing efficiency will stimulate our economy, creating more jobs and profits.

The Northwest Power and Conservation Council estimates that energy-efficiency investments in the region can save nearly three times as much power as Seattle uses while substantially reducing energy costs.

Similar savings are available in transportation. The state of Washington calculates that stronger vehicle-emission standards would save Washington consumers over $2 billion at the fuel pump by 2020. And providing better transportation choices can reduce both emissions and infrastructure costs.

We can also prosper by building the clean-energy industries of the future. Already, utility-scale wind farms are quietly churning out inexpensive power near Walla Walla. Biofuel technologies can displace petroleum with transportation fuels from farm country. Digital technology is opening new pathways toward a smarter, more reliable, more efficient power grid.

But at least one key ingredient is missing — a fair, results-oriented public-policy framework for reducing global warming pollution.

A responsible climate policy would start from the science. It would establish a fair system for reducing emissions to safe levels over time. It would include milestones for emission reduction, balancing the need for prompt action against the need to give businesses time to adjust. It would reward investment in solutions.

Private competition, structured within fair rules and clear limits, can be a powerful driver for climate protection. Increasingly, industry leaders are calling for such a policy framework: Wayne Brunetti, CEO of Xcel, the nation's fourth-largest electric and gas utility, put the point simply in Business Week's cover story on why businesses are taking climate change so seriously: "Give us a date, tell us how much we need to cut, give us the flexibility to meet the goals, and we'll get it done."

Most of the world's advanced economies have climate policies with emission-reduction targets and timelines. The U.S. as a whole does not, but many states are adopting emission-reduction programs. The progress in the states has been bipartisan, with leadership coming from Republican and Democratic governors alike.

On the West Coast, the governors of California, Oregon and Washington are developing climate plans, including emission standards for vehicles and power plants. Leaders from business, government and civic groups have developed recommendations for reducing emissions under a collaborative process convened by the Puget Sound Clean Air Agency. A similar group in Oregon has delivered recommendations to Gov. Ted Kulongoski.

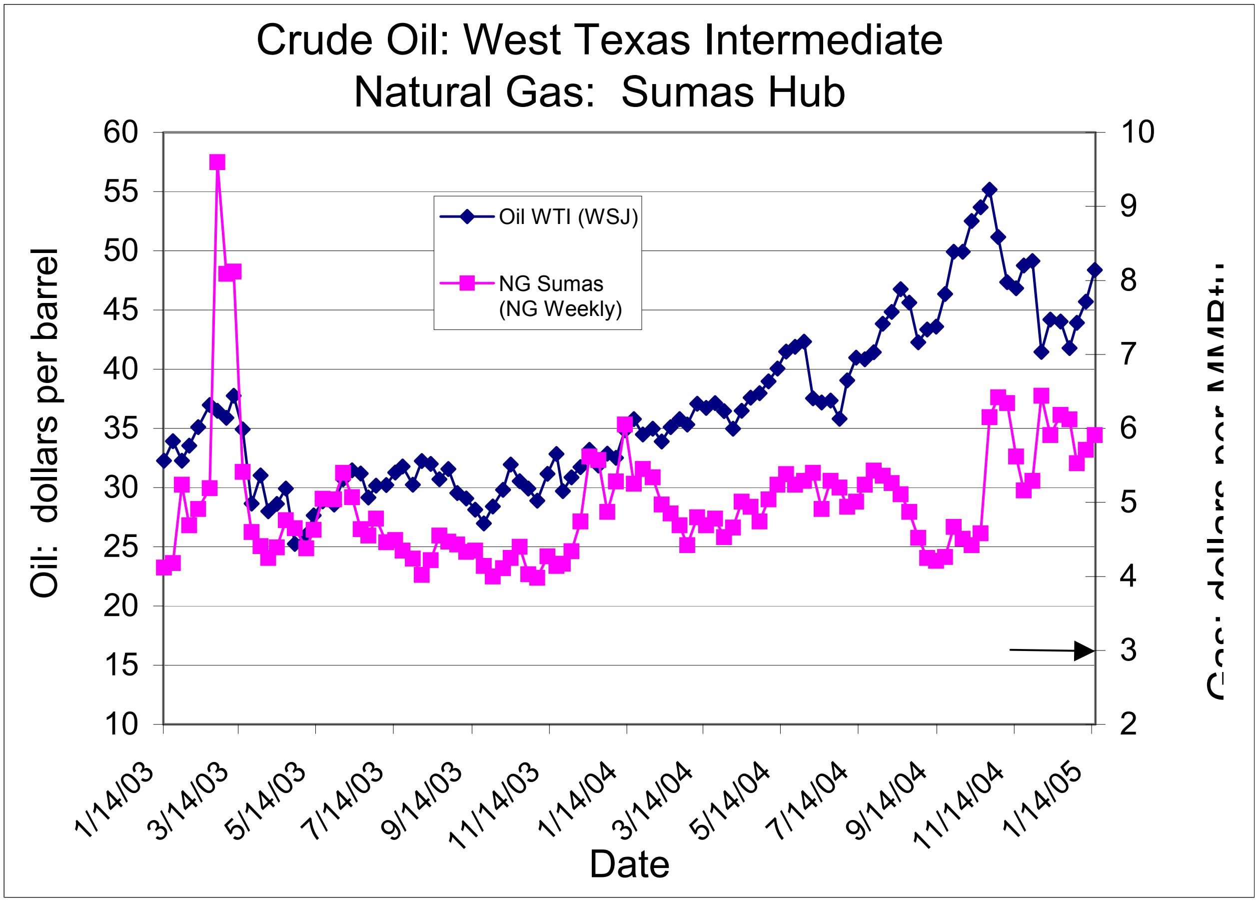
With this groundwork completed, the West Coast can take a decisive turn toward a sensible climate policy. By reaffirming Washington's key role in the West Coast Governors' Initiative, the new governor can help lead one of the world's most productive economic regions toward bipartisan action for climate solutions.

The governors and legislatures in Washington and Oregon can also take a very important, concrete step right away: adopting stronger standards for new vehicle emissions. These standards can substantially reduce emissions while saving consumers money, preserving consumer choice and reducing fossil-fuel dependence.

Practical climate solutions are available now, and we will be better prepared for the future if we implement them today. It starts with a clear, simple policy commitment: responsible limits on global warming pollution.

William Ruckelshaus was the first and fifth administrator of the U.S. Environmental Protection Agency and is currently strategic director at Madrona Venture Group. K.C. Golden is policy director for Climate Solutions, a regional group working on solutions to global warming.

After declining for nearly two months, crude oil prices have risen over the last three weeks due to increased demand for heating and transportation fuel, and reduced supply following OPEC efforts to curtail production. Natural gas prices have recently edged up because of colder weather, but are anticipated to decline significantly by March due to ample gas storage and production.



Wednesday January 26, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (1/24): 49,271 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$42.5-57 per MWh, Ave. = $46.3
• Approximate change from previous week	$ -7.2 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$49.45 per barrel (year ago: $33.91)
• Seattle gasoline price (1/24)	$1.84 per gallon (year ago $1.69),
• Natural gas, Sumas Hub:	$5.71 per million British Thermal Units (year ago $4.18)
• Approximate change from last week.	Oil: +1.06 $ per barrel; Nat. gas: -0.20 $ per MMBtu

3. California Electricity Situation

- <u>CA ISO Alert Status</u>
  - o July 22, 2004: Third consecutive day of record electricity use.
  - o A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - o 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - o Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- o Strict car emission rules look likely (Seattle PI, Jan. 22)
- o US ready to expand oil-and-gas exploration in the Alaska (Seattle Times, Jan. 22)
- o California officials warn of electricity shortage (LA Times, Jan. 22)
- o

5. River and Snow Pack Information (Updated: Jan. 25, 2004)

- Observed Dec. stream flow at The Dalles: 111.3% of average,
- Observed Dec. precipitation above The Dalles: 77% of average,
- Snow pack as % of average, Jan 2005: 75%.
- Forecast Jan.-July 2005 runoff at The Dalles: 85.6 MAF, 80% of normal,
- Federal hydropower generation in Dec.: 8,976 aMW, 1995-2002 average: 9,286 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Jan. 25, 2005)

- Average flow of power during the last 30 days

o California (exported to)	1,994 MW
o Canada (exported to)	249 MW
o Net power export:	2,243 MW

Strict car emission rules look likely

Dealers protest, but California limits have legislators' support

By Kyle Arnold, Jan. 22, 2005 SEATTLE POST-INTELLIGENCER REPORTER

Washington is likely to join California and six other states in adopting tighter vehicle emissions standards, despite protests from auto dealers.

The proposal, which is drawing strong support in the Legislature, would require the state to adopt the tougher regulations starting in 2009. By 2016, all new cars sold in Washington would have to comply with the new standards, with proponents claiming that emissions would be reduced by 30 percent.

The rules would apply only to cars and light duty trucks.

The federal Clean Air Act allows states either to adopt the 1990 federal emissions standards or follow California's more stringent policy, adopted in September. Adopting California's standards would require that new cars emit 30 percent less carbon dioxide, 20 percent fewer toxic pollutants, and 15 to 20 percent fewer smog-causing pollutants as measured against the federal standards.

Greenhouse gases from car emissions are a major contributor to air pollution and are thought to be a major factor in global warming.

Washington auto dealers and other opponents of House Bill 1397 say the stricter standards would require costlier emissions systems, making cars more expensive and resulting in lost business for auto dealers.

"We intend to be a positive player in the discussions, and we applaud the efforts to fix this ... but we have raised serious concerns about how this legislation will work," said Vicki Giles Fabré, executive vice president for the Washington Auto Dealers Association, representing 337 dealers across the state.

Former Gov. Gary Locke introduced the proposal in December, and now Rep. Ed Murray, D-Seattle, chairman of the House Transportation Committee, is sponsoring the legislation.

Gov. Christine Gregoire has not endorsed Locke's proposal, and a spokeswoman said the governor wouldn't comment until the Legislature approves a bill.

In the early weeks of the legislative session, the proposal appears to have bipartisan support, with 30 Democrats and 10 Republicans signing on as co-sponsors, including House and Senate leaders and members of key environmental and transportation committees.

Giles Fabré said auto dealers understand the contribution of cars and trucks to pollution, but she argued that the proposed standards aren't reasonable. She said auto dealers are poised to sit down with legislators and discuss the specifics of the bill and the standards.

Murray and other supporters cite cleaner-burning engines that would get better gas mileage, lowering the overall costs of owning the vehicles. "I also think that by the time (the tighter standards) will be enacted in 2009, this won't be expensive," Murray said.

A press release from Murray said increased fuel efficiency would save drivers a cumulative $2 billion by 2020, based on estimates from the Puget Sound Clean Air Agency.

Senate Minority Leader Bill Finkbeiner, R-Kirkland, said Senate Republicans are keen on environmental issues, particularly cleaner air, and have shown support for the bill.

"We'll have to look at this and balance out the costs with jobs," said Finkbeiner.

The Alliance of Automobile Manufacturers, representing Ford, General Motors, DaimlerChrysler and other major auto manufacturers, said it has joined in a federal lawsuit with a group of California auto dealerships to challenge California's emissions policy.

"I can tell you that there may be vehicles that would not be able to comply with these standards," said Giles Fabré.

Automakers say cars meeting the higher emissions standards cost consumers as much as $3,000 more and reduce the selection of vehicles on the market.

The bill was introduced to the House yesterday and will be heard initially by the Transportation Committee, led by Murray.

WHY CHANGE IT?

"Air pollution levels routinely measured in the state of Washington continue to harm public health, the environment, and the economy. Air pollution causes or contributes to premature death, cancer, asthma, and heart and lung disease. Over half of the state's population suffers from one or more medical conditions that make them very vulnerable to air pollution. Air pollution increases pain and suffering for vulnerable individuals. Air pollution imposes several hundred million dollars annually in added health care costs for air pollution- associated death and illness, reducing the quality of life and economic security of the citizens of Washington."

U.S. ready to expand oil-and-gas exploration in Alaska

By H. Josef Hebert, Jan. 22, AP, Seattle Times

Citing a need for domestic energy, the government plans to open for exploratory drilling thousands of acres on Alaska's North Slope that have been protected for years because of migratory birds and caribou.

The Bureau of Land Management (BLM) has concluded that oil-and-gas exploration in the northeastern corner of the National Petroleum Reserve-Alaska (NPRA) can be conducted with "minimal impact" on the area's wildlife.

While most of the 22 million-acre reserve is open to oil development, its lake-pocked northeastern corner has been fenced off, dating to the Reagan administration, because of environmental concerns. That area also is viewed as having the highest oil-and-gas potential within the reserve.

Interior Secretary Gale Norton is expected to sign off on the BLM's recommendation next week, said a department official, speaking on condition of anonymity because a final action has not been announced.

The reserve, created in 1923 specifically to have access to oil if needed, is not to be confused with the Arctic National Wildlife Refuge farther east, which has been the focus of intense debate in Congress over oil development.

The Fish and Wildlife Service, which like the BLM is part of the Interior Department, has said the area around Lake Teshekpuk in the northeast corner of the reserve, is among the most important molting areas in the Arctic for wild geese. It also is used for calving and insect relief by herds of caribou.

The BLM, however, has concluded that more than 400,000 acres surrounding Lake Teshekpuk should be opened for exploratory drilling with restrictions. The government estimates the area contains 2 billion barrels of economically recoverable oil and 3.5 trillion cubic feet of natural gas.

Henri Bisson, the BLM's Alaska director, outlined the planned action in a speech posted yesterday on the agency's Web site, predicting the decision will prompt criticism from environmental activists and a likely lawsuit.

"I have been told flat out ... to expect an all-out fight to the finish to keep this from happening," Bisson said in a speech earlier this week to a business group in Anchorage.

The Anchorage Daily News reported Bisson's speech yesterday.

Bisson called the decision to open the northeastern corner "one of the most difficult projects that we have attempted yet at BLM" but said the reason was simple: "The country needs access to its oil-and-gas resources and this area is a petroleum reserve."

Environmentalist and conservationist groups, from the Wilderness Society to Ducks Unlimited, have urged continued protection of the lake region, noting that almost all of the reserve already is available to oil companies.

"You do need to have oil-and-gas development in the NPRA, but not on every single acre," said Eleanor Huffins of the Wilderness Society in Alaska. She said environmentalists have little confidence that the government restrictions will be protective.

"When industry asks for exemptions, they give it to them," she said in a telephone interview from Anchorage.

Bisson said the development plan would identify seven lease tracts, of 46,000 to 59,000 acres each, north of Teshekpuk Lake, including 217,000 acres of key habitat for waterfowl. Exploratory leases also will be made available for 157,000 acres east and south of the lake, the area used by caribou.

He said ice roads, graveled drilling pads and other facilities would be limited to 300 acres, excluding pipelines, and exploration would be restricted to winter, resulting "in minimal impact to the wildlife resources that live in this area."

However, if oil is found — as is widely expected — year-round production will follow, environmentalists said.

Most of the federal petroleum reserve was opened for oil drilling during the Clinton administration, although 840,000 acres, including the area around Lake Teshekpuk, was fenced off. Norton expanded drilling in the reserve last year but left the northeastern section alone.

California Officials Warn of Electricity Shortages

LA Times, Jan. 22, 2005

Southern California may have a tough time keeping the lights on next summer, state energy officials said Friday.

Officials from the California Public Utilities Commission and the operator of the state's transmission grid said a combination of growing demand for power, aging generating plants and not enough transmission lines could dim lights in the region.

State Sen. Martha Escutia (D-Whittier), who chairs the Senate Energy, Utilities and Communications Committee, said Gov. Arnold Schwarzenegger should convene an "energy summit" on power blackouts and other electricity problems.

The officials spoke at an energy forum in Los Angeles sponsored by the League of Women Voters of California, the PUC, the California Energy Commission and Town Hall of Los Angeles.

California is trying to rebuild its electricity industry as it recovers from the effects of its power crisis in 2000 and 2001.

The state's investor-owned utilities — including **Edison International**'s Southern California Edison unit — were forced to order rotating blackouts during the emergency, when an electricity shortage was exacerbated by market manipulation by some energy traders.

"California cannot afford to have rotating outages again," said Jim Detmers, vice president of operations at the Independent System Operator, which runs most of the state grid.

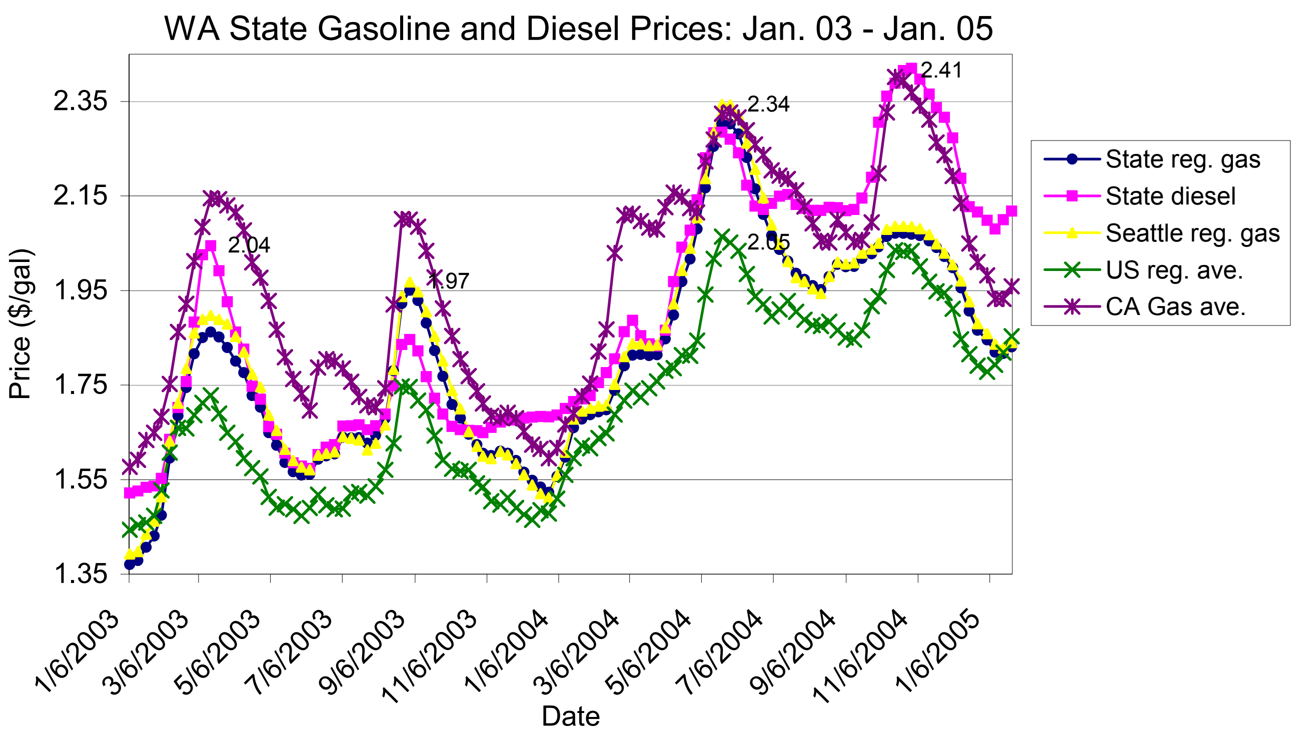
A recovering economy and a growing population are straining power supplies in Southern California, Detmers said. "We have to fix the transmission system, bring on more generation and defer retirements at older generators," he said.

The ISO is expected to issue its annual forecast of summer power supplies and demand in March or April.

"We have some concerns about Southern California," an ISO spokesman said.

Michael R. Peevey, president of the PUC, said California was making progress developing coordinated energy policies among state agencies and ordering utilities to make long-term plans to secure more electricity supplies.

Gasoline and diesel prices in Washington increased slightly from last week and may have reached their low point for the year. Due to low demand fuel prices typically reach a low point in the middle of January. National average fuel prices have risen each of the last three weeks in part due to rising crude oil prices.



Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (2/2): 50,008 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$40.3-45.8 per MWh, Ave. = $43.2
• Approximate change from previous week	$ -3.1 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$47.13 per barrel (year ago: $34.48)
• Seattle gasoline price (2/1)	$1.89 per gallon (year ago $1.69),
• Natural gas, Sumas Hub:	$5.48 per million British Thermal Units (year ago $5.45)
• Approximate change from last week.	Oil: -2.32 $ per barrel; Nat. gas: -0.23 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Climate debate threatens Republican clean air bill (NYT, Jan. 27)
- Highway diesel lead surge in '04 in US oil demand (Oil and Gas Journal, Jan. 27)
- OPEC votes to hold the line on production (LA Times, Feb. 1)
- Investors Urge Large Companies To Disclose Data on Greenhouse Gas Emissions (WSJ Feb. 2)

5. River and Snow Pack Information (Updated: Jan. 25, 2004)

- Observed Dec. stream flow at The Dalles: 111.3% of average,
- Observed Dec. precipitation above The Dalles: 77% of average,
- Snow pack as % of average, Jan 2005: 75%.
- Forecast Jan.-July 2005 runoff at The Dalles: 84 MAF, 79% of normal,
- Federal hydropower generation in Dec.: 8,976 aMW, 1995-2002 average: 9,286 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Feb. 2, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 1,953 MW
  - Canada (exported to) 254 MW
  - Net power export: 2,207 MW

Climate Debate Threatens Republican Clean-Air Bill

By MICHAEL JANOFSKY, **NYT, January 27, 2005**

The Congressional battle over how to reduce air pollution from power plants began anew on Wednesday with consideration of the approach most favored by the White House.

But after three hours of testimony on that initiative, the Clear Skies Act of 2005, it was obvious that nothing had diminished the concerns that scuttled an earlier version of the legislation. Indeed, one co-sponsor conceded that without major compromises, the new bill was most likely doomed.

"If everybody's hunkered down, it's the same old story we've had for the last five or six years," said the lawmaker, Senator George V. Voinovich, Republican of Ohio. "Then it's goodbye."

The effort to pass the Clear Skies Act as an amendment to the Clean Air Act is being led by Senator James M. Inhofe of Oklahoma, chairman of the Environment and Public Works Committee, who reintroduced it with Mr. Voinovich on Monday.

The measure sets limits on three major pollutants that affect human health - sulfur dioxide, nitrogen oxides and, for the first time, mercury - but not on carbon dioxide, a heat-trapping gas that scientists say contributes to global warming.

Mr. Inhofe, mindful of the costly technology needed for industry to control emissions, has made no secret of his opposition to carbon dioxide caps, calling global warming "the greatest hoax ever perpetrated on the American people."

But supporters of capping carbon dioxide include at least six Republicans, and it was a measure of the intense division between the bill's backers and opponents that Mr. Voinovich concluded Wednesday's hearing by declaring, "If climate change is part of this legislation, it's going nowhere."

The testimony, before the Subcommittee on Clean Air, Climate Change and Nuclear Safety, which Mr. Voinovich leads, reflected the usual fault lines on the Clear Skies Act.

Industry groups and government officials spoke in favor of it, saying it was the best way to protect jobs, local economies and investments in new power plants while aiming for the 70 percent reductions in three major pollutants that the bill promises by 2018.

Environmental groups and state environmental regulators opposed it, arguing that Congress should use the opportunity to pass a more muscular bill. They said alternative approaches would not only set carbon dioxide caps but also reduce those three other pollutants at a faster pace and, contrary to the Clear Skies measure, leave in place parts of the Clean Air Act like "new source review," which requires operators to add new pollution controls when plants are upgraded.

Two alternatives to the Clear Skies Act are measures co-sponsored by Republicans, including Senator Lincoln D. Chafee of Rhode Island, a member of Mr. Inhofe's committee. Mr. Chafee's preference for his own bill would appear to leave the committee evenly split, 9 to 9, on the Clear Skies legislation, a particular threat to its prospects.

The Clear Skies Act is modeled on a program adopted in 1990 to reduce acid rain. In setting limits on the emission of sulfur dioxide, nitrogen oxides and mercury, it would allow companies whose emissions are lower than the caps to sell credits to those whose emissions are above it. It seeks to bring most of the nation's counties into compliance with air quality standards by 2018; currently, almost half of all Americans live in areas not in compliance.

The bills competing with it propose tighter caps in a shorter period. They also retain new source review, which supporters of the Clear Skies Act contend threatens plant owners' economic stability because of expensive litigation. Since 1999, the government has brought 15 lawsuits against power companies on grounds of new-source-review violations.

In testimony Wednesday, Ron Harper, chief executive and general manager of the Basin Electric Power Cooperative, an electrical generation cooperative in nine states, said companies like his were thwarted in planning efforts because of the uncertainties of litigation.

But Conrad G. Schneider of the Clean Air Task Force, who testified on behalf of four environmental groups, said the other bills - or even doing nothing - would be preferable to Clear Skies, which he said would weaken the Clean Air Act, causing unnecessary death and illness.

"Our first principle is do no harm," Mr. Schneider said. "Clear Skies guarantees that we will never solve these problems. It offers only half measures with pollution reductions that are too little, too late."

API: Highway diesel led '04 surge in US oil demand

Nick Snow, Jan. 27, Oil and Gas Journal

US petroleum demand grew at its strongest rate in 5 years during 2004, partially due to a nearly 7% demand increase for highway diesel fuel, the American Petroleum Institute said. Product deliveries grew 2.3% to an average 20.5 million b/d.

Economic growth in 2004 also was the strongest in 5 years, which strengthened petroleum demand, API officials said as they released the association's yearend statistics. Substantially higher prices for crude oil and petroleum products, including gasoline, dampened oil product demand growth in many instances, they said.

Diesel fuel was an exception.

"The year's robust economy produced more goods, and they needed to be transported. That, in turn, spurred strong growth in diesel demand," said Ronald J. Planting, information and analysis manager in API's statistics department.

Demand growth for low-sulfur diesel, the grade required for highway use, was the strongest among any major petroleum product, he told reporters at a briefing in Washington. Deliveries increased 6.8% year-to-year to an average 2.994 million b/d.

Overall distillate fuel oil demand rose by 3.5% as deliveries for heating oil and other products with more than 500 ppm sulfur fell by 4.7%.

Gasoline deliveries, meanwhile, rose by only 1.3% to an average 9.054 million b/d.

"The improved economy would have spurred more demand growth, had it not been for higher retail prices," said Planting. "In fact, gasoline deliveries rose by the smallest percentage among all of the major product categories."

Consumers apparently reduced consumption during 2004 in response to gasoline prices that were 20% higher than in 2003, he continued. "That wasn't the case with diesel," Planting said.

Kerosene jet fuel demand grew 2.2% to an average 1.613 million b/d, while residual fuel oil deliveries climbed 4.1% to an average 804,000 b/d.

"For jet fuel, gains in air travel led to the first increase in deliveries since 2000, and higher-priced natural gas continued to push industrial and utility users toward residual fuel oil as an alternative," Planting said.

Refineries set records

Refineries responded to stronger product demand by setting production records, according to API.

"The industry also imported record amounts of gasoline and diesel fuel to augment this production to meet all-time high consumer demand," noted John C. Felmy, API's chief economist and director of policy analysis and statistics.

Even though operable domestic refining capacity rose by 0.9% to 16.902 million b/d, capacity utilization grew by 0.2 percentage point to an average 92.8% as input to crude distillation units increased 1.2% to an average 15.689 million b/d during 2004, API reported.

The statistics showed that the US refining system was pushed even harder during December as capacity utilization reached 94.9% and inputs climbed 2.9% from the same month of 2003 to an average 16.024 million b/d.

Other industries' plant capacity utilization rates average 80-82%, according to Felmy.

"The petroleum industry's infrastructure is stretched to the limit," he said. "Virtually all pipelines, terminals and other links to the supply chain are running at or near maximum capacity. Problems in one part of the system can cascade throughout the system."

Product imports grew by 9.9% during 2004 to an average 2.856 million b/d and by 25.4% in December to an average 2.945 million b/d. The biggest year-to-year jumps last month were 32.3% for gasoline and components to 943,000 b/d and 23.8% for kerosene jet fuel to 125,000 b/d.

Higher refinery production and imports during December have raised US oil-product inventories to January levels higher than 1-2 years ago, when prices broke their seasonal pattern and rose during the early months of 2004 and 2003. But Felmy cautioned that other variables, such as new product specifications and crude oil prices, could lead to higher retail prices.

"There's also the refining system," he continued. "We haven't built a new refinery since the 1970s, and the system is nearly stretched to the limit. The higher inventories are good news, but they're only part of the equation."

Production down

During 2004, domestic production of crude oil and condensate continued to fall, registering a 3.8% drop to an average 5.465 million b/d, according to API.

"Hurricane Ivan, which hampered offshore production in the Gulf of Mexico, was partly to blame," Planting said. "Also contributing were significant down-time in Alaska for scheduled maintenance and the Lower 48 states' ongoing decline trend."

That led to a 4% increase in average crude oil imports, which broke the 10 million b/d barrier for the first time last year, despite record high prices (not adjusted for inflation).

"At the international level, the market for crude experienced unexpected demand increases, and available excess production capacity evaporated," said Felmy.

He noted that members of the Organization of Petroleum Exporting Countries have made some investments to increase production capacity, "but we will have to see if they decide to use it to produce more oil."

OPEC Votes to Hold Line on Production

- Ministers decide to keep current output limits, saying oil prices near $50 a barrel are not a threat to the world economy.

LA Times, Feb. 01, 2005

OPEC ministers agreed Sunday to keep output limits in place, convinced that oil prices near $50 a barrel are not stifling world growth.

The Organization of the Petroleum Exporting Countries took little time to decide on no change in supply quotas, despite worries among consumer nations about inflated fuel costs.

Gone are the concerns within the cartel last year about the effects of rising crude prices on the economic growth that drives demand for its oil.

With inflation in the world's big economic powers in check and low interest rates still generating above-trend growth, OPEC ministers said, there is no reason to push for cheaper oil.

"Fifty-dollar oil will not play a big role in slowing up growth of the economy. Some analysts say even $60 oil will play a small role in affecting growth," said the cartel's president, Sheik Ahmed Fahd al Ahmed al Sabah of Kuwait.

"I am comfortable with the market between $45 and $55," said Edmund Daukoru, presidential advisor on energy for OPEC member Nigeria.

The cartel appears ready to defend oil prices at a floor of about $40 a barrel for U.S. crude, or $35 for a reference basket of cartel crudes.

Ministers agreed to officially set aside their old $22-$28 range for the basket, set in March 2000, but are in no hurry to set a new target, saying prices are too volatile.

"We have to wait until the second quarter of this year to know exactly where the price indicator will head," Ahmed Fahd said. "But I believe that $35 is a suitable price as an average price for the OPEC basket of crudes."

Iranian Oil Minister Bijan Namdar Zanganeh said the basket price should be "somewhere between $30 and $40."

Economists agree that there is little sign yet of an energy price shock, partly because the U.S. dollar's decline on currency markets has protected non-dollar importers from the rise in dollar-denominated oil prices.

"Yes, oil prices are high, but the U.S. economy hasn't skipped a beat and the weaker dollar has insulated many growing economies from a shock," said Yasser Elguindi, an analyst for Medley

Global Advisors.

"High oil prices are not hurting demand," he said, "because the value of the dollar allows emerging economies to afford higher prices."

OPEC ministers are confident that demand for an additional 1.5 million to 2 million barrels daily this year, led by China, will support another year of high prices. The cartel, which pumps more than a third of the world's oil, has forecast global daily demand this quarter at 83.7 million barrels.

But meeting next in Isfahan, Iran, on March 16, the ministers may yet decide to shave production to contain the seasonal second-quarter stock buildup.

At Friday's U.S. close of $47.18 a barrel, oil prices were deemed too high to justify arranging cuts for implementation at the start of April, when seasonal demand ebbs.

"Now is not the time to cut," Zanganeh said.

Some in OPEC worry that the mid-March meeting will come a little late for comfort to adjust supply. Middle East exports take six weeks to reach Western markets.

Cartel President Ahmed Fahd said that should inventories build too quickly and prices fall, he could call a ministerial teleconference to take action.

Moving the Market: Investors Urge Large Companies To Disclose Data on Greenhouse Gas Emissions

WSJ Feb. 2, 2005

In the latest sign of investor activism on global-warming issues, a letter signed by 143 institutional investors asks the world's largest companies to disclose information on their industrial emissions.

The investors, with assets totaling $20 trillion under management, include ABN Amro Holding NV's ABN Amro Asset Management, Barclays PLC, BNP Paribas SA, Merrill Lynch & Co., Swiss Reinsurance Co. and several U.S. state retirement funds. The letter was sent yesterday to the world's largest 500 companies based on market capitalization.

"The numerous indications of accelerating human-induced climate change make it clear that there are business risks and opportunities that have implications for the value of investments in corporations worldwide," said Paul Dickinson, coordinator of the Carbon Disclosure Project, which spearheaded the letter.

The London-based CDP was started by U.S. family foundation Rockefeller Philanthropy Advisers. Companies are given four months to reply to a detailed questionnaire that will be used to compile a report to be posted on the group's Web site (cdproject.net) in September.

Investors have been expressing concern that the emissions present companies with significant financial risk. They cite two types of threats: the potential direct effects of global warming, such as rising sea levels, which could damage property, and the likelihood of tightening government caps on the emission of global-warming gases, which could force companies to spend money to comply with the rules.

While European investors have been among the most active in pressing companies on the issue, U.S. investors are getting more vocal, too.

Several big institutional investors have signed letters calling on big emitters to detail their plans to respond to global warming.

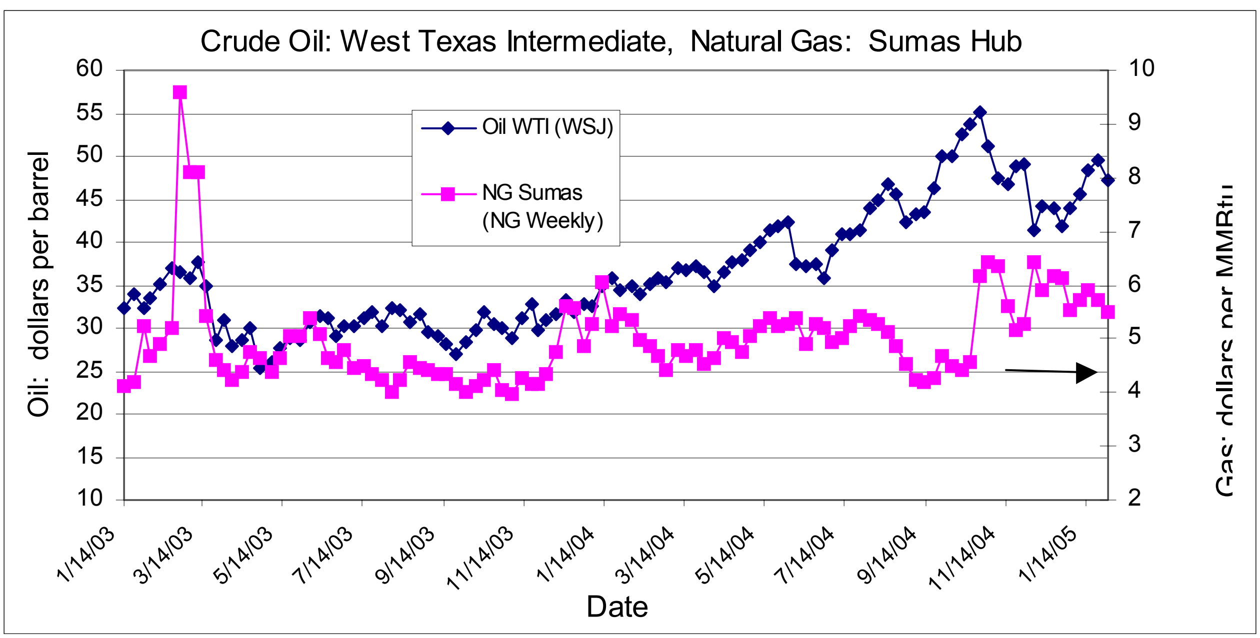
In response, some U.S. emitters have issued global-warming reports, and have begun to take action to address their global-warming emissions. Among them: American Electric Power Co., the nation's biggest utility by generating capacity, and Cinergy Corp., another big utility.

Spokesmen for Marathon Oil Corp. and Devon Energy Corp., among the companies that didn't respond to one of the group's earlier surveys, in 2003, said their firms plan to publish emissions data on their Web sites, but haven't decided whether they will respond directly to this year's questionnaire.

Generally, company managers say it is hard to quantify the long-term financial risk when so much uncertainty exists surrounding the issue of emissions.

Alex Popplewell, head of socially responsible investment research at Merrill Lynch Investment Managers, said his firm is "not making a political or economic judgment. We're not prejudging whether emissions will affect clients' economic value, but unless it's disclosed we can't make that decision."

Crude oil prices have remained high because of continued high demand and because OPEC has signaled its intent to trim production quickly to maintain prices at $40 or more per barrel. Natural gas prices also remain high, supported by high oil prices and several weeks of cold weather in the eastern US. Regional electricity market prices have declined due to mild weather.



Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (2/9): 52,886 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	\$40.5-47 per MWh, Ave. = \$44.9
• Approximate change from previous week	\$ -3.1 per MWh
• "Normal" price range, before 5/00	\$20-\$40 per MWh
• Petroleum, West Texas Intermediate:	\$45.40 per barrel (year ago: \$34.48)
• Seattle gasoline price (2/8)	\$1.90 per gallon (year ago \$1.69),
• Natural gas, Sumas Hub:	\$5.49 per million British Thermal Units (year ago \$5.45)
• Approximate change from last week.	Oil: -1.73 \$ per barrel; Nat. gas: +0.01 \$ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- New evidence Enron was scamming years before energy crunch (Seattle PI, Feb. 3)
- Legislative hearings set on clean car plan (Seattle PI, Feb. 7)
- Bush's 2.57 trillion \$ budget would slash BPA subsidies (Seattle PI, Feb. 8)
- In the Northwest: We must wake up to realities of global warming (Seattle PI, Feb. 9)

5. River and Snow Pack Information (Updated: Jan. 25, 2004)

- Observed Dec. stream flow at The Dalles: 111.3% of average,
- Observed Dec. precipitation above The Dalles: 77% of average,
- Snow pack as % of average, Jan 2005: 75%.
- Forecast Jan.-July 2005 runoff at The Dalles: 84 MAF, 79% of normal,
- Federal hydropower generation in Dec.: 8,976 aMW, 1995-2002 average: 9,286 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Feb. 9, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 2,011 MW
  - Canada (exported to) 423 MW
  - Net power export: 2,434 MW

New evidence: Enron was scamming years before energy crunch

By GENE JOHNSON, Seattle PI, Feb. 3, 2005

Disgraced energy giant Enron Corp. was running scams to drive up the cost of power years before the West Coast energy crunch, according to audio transcripts and documents unveiled Thursday by a small public utility district north of Seattle.

It's the first evidence that Enron appears to have been honing its fraudulent schemes well before the power crisis of 2000-01, when rolling blackouts darkened California as the company made at least $1.6 billion.

By November 1997, Enron apparently knew of loopholes in California's ill-advised deregulation plan, and by May 1998 - a month after the plan took effect - Enron was already falsifying transmission schedules to inflate prices, Snohomish County PUD officials said.

In another scheme, believed to have been nicknamed "Project Stanley" in honor of the Stanley Cup hockey trophy, Enron traders in Alberta conspired with other companies to artificially inflate energy prices in Canada in 1999.

References to "Project Stanley" were discovered on former Enron Chief Executive Jeffrey Skilling's calendar on at least two dates, and recorded phone conversations between project leader John Lavorato and Portland, Ore.-based Enron trader Tim Belden show they knew it was illegal. Belden has since pleaded guilty to charges of involvement in fraudulent trading schemes.

Lavorato: "I'm just, ah, (expletive), I'm just trying to be an honest camper so I only go to jail once."

Belden: "Well, there you go. At least in only one country (laughs)."

Lavorato: "Yeah, (expletive), this isn't a joke. ... Nobody else seems to be concerned anymore."

Enron collapsed in the fall of 2001 after its extensive misdeeds surfaced. Skilling, ex-Chairman Kenneth Lay and former top accountant Rick Causey are scheduled to face trial in Houston in September.

The Snohomish County Public Utility District in Everett, about 30 miles north of Seattle, has been using its meager resources to transcribe thousands of hours of phone conversations involving Enron traders - a job it says should have been done by federal regulators long ago.

The PUD is hoping to prove that an exorbitant contract it entered with Enron in January 2001, at the height of the crisis, should be considered fraudulent because of Enron's manipulation, and that the PUD shouldn't have to pay the $122 million that Enron claims it owes.

Last summer, the PUD's efforts began to pay off when it discovered phone conversations in which Enron traders joked about ripping off "those poor grandmothers" in California and about how dams in the Northwest were killing endangered salmon to produce extra electricity to send to that state.

The PUD obtained much of its most recent evidence in one of Enron's Houston warehouses. PUD lawyers filed the evidence with the Federal Energy Regulatory Commission this week.

Some of the most damning evidence arises from taped phone conversations involving Enron traders. Traders typically record conversations as a way of keeping track of oral contracts.

One newly transcribed conversation reveals that Enron and a 50-megawatt plant in Las Vegas, LV Cogen, conspired to take the plant off line on Jan. 17, 2001 - the same day rolling blackouts hit an estimated 500,000 customers in California. Taking the plant off line was in direct violation of an order by U.S. Energy Secretary Bill Richardson requiring generators to send their energy to California.

In the conversation late on Jan. 16 that year, an Enron worker identified as Bill told a plant worker identified as Rich not to take notes because "this is going to be a word-of-mouth kind of thing."

Bill: "Ah, we want you guys to get a little creative."

Rich: "OK."

Bill: "And come up with a reason to go down."

Rich: "OK."

Bill: "Anything you want to do over there? Any ..."

Rich: "Ah ..."

Bill: "Cleaning, anything like that?"

Rich: "Yeah, yeah. There's some stuff we could be doing."

The plant went off line, compounding California's crisis.

In another conversation, a worker named Matt Goering complained about fraudulent record-keeping by company traders: "I mean, I might get fired for marking the book correctly, but I'll go to jail for cooking it."

"Beyond the illegal nature of Enron's gaming of the energy market, its insensitivity to human suffering is reprehensible," said PUD lawyer Michael Gianunzio.

Sen. Maria Cantwell, D-Wash., who has long insisted that FERC should have done more to protect consumers from Enron, said the transcripts added insult to injury.

"At the very least, FERC needs to ensure that the victims who paid the price for Enron's schemes the first time around aren't forced to pay a single penny more," Cantwell said.

A spokeswoman for Enron did not immediately return a call seeking comment. In the past, Enron has repeatedly refused to comment about new allegations of fraud, except to say that it is cooperating with federal investigations.

Legislative hearings set on clean-car plan

Proposals would put stricter controls on new vehicles

By RACHEL LA CORTE, Seattle PI, February 7, 2005

For drivers who love the environment and their sport utility vehicles equally, a salve to conflicted consciences may be a bill away.

Proposals in the House and Senate call for Washington to join California and several other states in stricter emission standards on cars, starting in 2009. The onus would be on auto manufacturers to produce the cars, not on individual car owners to bring their current vehicles up to snuff. All new cars and light trucks in the state would need to comply with the standards by 2016.

A public hearing on the clean-car proposal is scheduled Wednesday before the Senate Water, Energy and Environment Committee, and another is scheduled Feb. 17 before the House Transportation Committee.

House Bill 1397 and Senate Bill 5397 would follow California's policy, which is more stringent than the 1990 federal emissions standards. New cars would have to emit 30 percent less carbon dioxide, 20 percent fewer toxic pollutants and up to 20 percent fewer smog-causing pollutants than the established federal standards.

Clean-car proponents argue that while buyers may pay $7 a month more in car payments in 2012, they'll see monthly fuel savings of $18.

"It's a great deal," said Lisa Andrews, a spokeswoman with Climate Solutions, a supporter of the bill. "These cars save people more money on fuel savings than they cost for the additional pollution control."

But Eron Shosteck, a spokesman for the Washington, D.C.-based Alliance of Automobile Manufacturers, said proponents' math is wrong.

"With all due respect, those calculations are not made by auto engineers," Shosteck said. "This could cost Washington consumers thousands of dollars every time they go to buy a new vehicle."

Shosteck also argued that lower-income people may not be able to buy the new cars, further contributing to pollution by keeping an older car that produces higher emissions.

Shosteck's organization sued California in December over its emissions law.

"The auto manufacturers will talk about the boogeyman under the bed if you pass this law," said Clifford Traisman, the main lobbyist for environmental groups at the state Capitol. "What the electorate and what the Legislature understand by and large is that a strong environmental policy is a strong economic policy in a state like Washington state."

The states that have adopted California's more stringent clean car standards are Massachusetts, New York, Maine, Vermont, Rhode Island and Connecticut. New Jersey is in the process of adopting the standards.

In Oregon, a citizens advisory group recommended in December that Gov. Ted Kulongoski create a task force to move toward implementing the California standards.

David Van't Hof, an adviser to Kulongoski, said the governor was in the process of reviewing the group's recommendation.

Traisman said that due to Democratic control in both the House and Senate, as well as the fact that 10 Republicans in the House and Senate have signed on in support, he's confident it will pass.

In December, former Gov. Gary Locke and legislative Democrats proposed that the state adopt the standards. He also announced a freeze on state government purchase of four-wheel drive sports utility vehicles, and the state motor pool has begun shifting to hybrid vehicles, which run on electricity and gasoline.

The new standards would require automakers to use better air conditioners and more efficient transmissions and engines.

"It makes sense to ask automobiles to create less emissions," Andrews said. "We're just asking auto makers to deliver their best cars to Washington state. It's technology that's already on the road. It's common sense stuff."

Hybrid autos, such as the Honda Insight and the Toyota Prius, and other super-efficient vehicles would be exempt from emission inspections required every two years in Clark, King, Pierce, Snohomish and Spokane counties.

Shosteck said the proposal is unnecessary "because autos today are 99 percent cleaner than they were in the 1970s, and this legislation would have no impact on air quality above and beyond federal standards."

Sen. Adam Kline, D-Seattle, one of the supporters who has signed on to the bill, dived into the clean car movement early with a car that averages about 52 miles per gallon in city driving. His silver Prius proudly sports two bumper stickers: "Driving a gas guzzler is unpatriotic" and "Support OPEC. Drive an SUV."

"It isn't the size, it's the guzzling nature of the engine that bothers me," he said.

Bush's $2.57 trillion budget would slash farm, BPA subsidies

SEATTLE POST-INTELLIGENCER February 8, 2005

President Bush presented an austere $2.57 trillion budget yesterday that boosts spending on defense but little else, cutting or eliminating dozens of popular domestic programs, including subsidies that have kept Northwest power rates among the lowest in the nation.

The four-volume budget blueprint delivered to congressional leaders upheld White House promises to tightly rein in spending so that Bush could begin delivering on a campaign pledge to slice the deficit in half by 2009.

For the Northwest, the "tough love" approach toward budgeting will be apparent in ways both large and small. Bush's spending plan -- if adopted as written -- would cut crop subsidies to farmers and aid to low-income families. It would eliminate 150 programs, including 48 education programs and one that rids drugs from schools. It also eliminates all federal money for Amtrak.

The budget earmarks $200 million less for cleaning up the Hanford Nuclear Reservation, an amount that critics said would prevent the Energy Department from meeting contractually required deadlines. The total falls from $2 billion in 2005 to $1.8 billion next year.

For airline passengers, it would mean paying an extra $3 ticket tax to offset the cost of security. The fee would increase the cost from $2.50 to $5.50 for each leg of a round-trip ticket. Fees would increase from $5 to $8 for passengers making several stops on a one-way ticket.

Veterans would also feel the effect of Bush's budget. The document calls for vets to pay an annual $250 fee to qualify for VA health care. Those same vets would also pay more for their prescriptions, with the co-pay more than doubling to $15.

Senior members of Congress said the budget proposal contained few surprises, a tacit admission that Bush delivered a spending blueprint that calls for the deepest spending cuts in 25 years.

"We knew discretionary domestic spending would be hammered, and it was," said Rep. Norm Dicks, D-Wash., a senior member of the Appropriations Committee who plays a major role in shaping the budget each year.

The plan submitted by Bush yesterday is only the first step in a process that will stretch through much of the year. Congress must now take the president's recommendations and turn them into law.

It won't be easy. "It's going to be a tough year," Bush said. "This is going to be the year of the budget freeze. Some good programs will be hurt. But we have to get the deficit down."

But while lawmakers expressed concern about a number of proposals, Bush's proposal to end subsidies for the Bonneville Power Administration triggered the harshest response. The White

House plan would set rates based on market prices rather than the actual cost of producing electricity, which in the Northwest is much lower than in the rest of the nation.

Besides the Portland-based BPA, which supplies power to four states in the Pacific Northwest, the plan also would affect three other regional agencies that supply power to dozens of states: the Colorado-based Western Area Power Administration; Georgia-based Southeastern Power Administration; and Oklahoma-based Southwestern Power.

"This is the same as a billion-dollar tax hike on Washington state, and as far as I'm concerned, it's dead on arrival," said Sen. Maria Cantwell, D-Wash. "To think we'd arbitrarily pay more for power generated right here in the Northwest is ludicrous. This is an outrageous attempt to fleece Northwest ratepayers, and I will not stand idly by while this administration attempts to dismantle BPA."

According to the administration's budget, Bonneville and other federally supported power-marketing administrations should "very gradually" be weaned from federal support with a goal of making electric rates closer to more expensive rates dictated by the market.

The budget estimates that such a move would save $3 billion during the next five years and $12 billion during the next 10.

It also would help reduce the deficit. "PMA rates are artificially low because taxpayers across the nation have borne some of the PMAs' costs. Thus, the general taxpayer has helped subsidize the cost of PMA power purchased by electricity wholesalers. Reducing subsidies to electricity wholesalers is consistent with the administration's fiscal policies, and this proposal will create a more level playing field for the nation's electricity suppliers and encourage appropriate energy conservation," the budget documents say.

The White House, however, declined to provide specifics, saying the plan would materialize in coming months as legislation. Analysts said such a move could increase rates from 3 cents per kilowatt-hour now paid by power companies who buy electricity from BPA to 5.8 cents or more.

Critics said the change would sharply increase power bills paid by businesses and residents. Though the increase would vary, analysts said they could range from a 35 percent increase to more than double current bills.

It also met with instant opposition from senior Western lawmakers, both Republican and Democrat.

In a hastily written letter to Bush, Cantwell and Sen. Patty Murray, D-Wash., promised a bare-knuckles fight.

The proposal to end subsidies, the senators wrote, "would upend the more than 50 years of law, policy and valued Northwest tradition that has made reliable, cost-based power the backbone of our regional economy and fabric of our rural communities. In short, your proposal is a non-starter, and we will use every tool at our disposal to prevent its implementation."

Sen. Pete Domenici, R-N.M., called it "politically untenable" and Dicks pointed out that similar attempts were made during the Reagan administration and in the 1980s but each "went down in flames."

The budget also came under immediate attack for what it omitted -- long-term estimates of the cost of fighting wars in Iraq and Afghanistan and the $2 trillion price tag for adding private investment accounts to Social Security.

"By not including in this budget expected costs for continued military operations in Iraq and Afghanistan, $2 trillion dollars in expected funds for Social Security reform or the costs of making permanent his first-term tax cuts, Bush is using smoke-and-mirror tactics in claiming that this budget is bare bones and fiscally responsible," Rep. Adam Smith, D-Wash., said. "This budget adds more than $4 trillion to the deficit over the next 10 years. As a matter of fact, the federal deficit is projected to reach a record $427 billion this year alone."

For all the worry, there were some positive signs. Most were connected to increases in defense spending and homeland security.

The budget outlines, for example, $310 million in military construction spending in Washington state. The bulk, $153 million, is to go to Fort Lewis for new barracks and a new special operations command.

The remainder will go to upgrades at the Navy's Bangor submarine base and its port in Everett.

Though not specific to a Washington state facility, the budget has $200 million for the Air Force to replace its aging aerial tanker fleet. Washington state lawmakers are lobbying the Pentagon to use Boeing aircraft for the job.

Yet even on defense spending, the news isn't all good. The Pentagon budget calls for reducing the number of F/A-22 advanced fighters from 381 to 179. Boeing is the main subcontractor to Lockheed Martin on the F/A-22 program, building the wings and aft-fuselage at its Developmental Center across from Boeing Field. It is also responsible for integration of the avionics.

About 1,400 people work on the Boeing part of the F/A-22 program, but that includes support personnel as well as those involved in manufacturing, according to Boeing.

The company said there should be no near-term effects from cuts in the number of fighters the Air Force will receive, but a spokesman declined to speculate about what could happen later.

Elsewhere, the budget calls for $568 million to restore Columbia Basin salmon. The figure includes $330 million in discretionary spending by Congress and $238 million from the Bonneville Power Administration. The spending proposed for fiscal year 2006 is part of a 10-year federal salmon plan projected to cost $6 billion during the next 10 years.

Even so, for every increase there are 10 -- or more -- programs that are targeted for cuts.

Bush would slow the growth of benefit programs by $137 billion over the next decade, nearly quadruple the savings he proposed a year ago with little success. Chief among the targets would be Medicaid, the federal-state health insurance program for the poor and disabled, but farmers' payments, student loans and veterans medical services were also on the chopping block.

Bush would give nine of the 15 Cabinet-level departments less money in 2006 than they are getting this year. Overall, he would cut non-security domestic spending -- excluding automatically paid benefits like Medicare -- by nearly 1 percent next year. Bush said it was the first such reduction proposed by the White House since President Reagan's days.

Forty-eight education programs would be eliminated. In all, more than 150 government-wide programs would be eliminated or slashed deeply, including Amtrak subsidies, oil and gas research and grants to communities hiring police officers.

The budget is also built on some assumptions that the White House is unlikely to realize. Among them is new revenue from oil and gas royalties from drilling in Alaska's Arctic National Wildlife

Refuge, a long-term goal of the White House and congressional Republicans that has been repeatedly rejected by Congress.

BUDGET INS, OUTS

WHAT'S IN

- **BPA:** Power rates would be based on market prices, rather than the cost of producing power, resulting in undetermined higher rates for consumers and a government savings of $12 billion over 10 years.
- **Hanford:** $1.8 million for cleanup, $200 million less than current budget.
- **Veterans:** A new annual $250 fee required to qualify for VA health care. Co-pay for prescription drugs would more than double to $15.
- **F/A-22:** Reduces the number of F/A-22 advanced fighters from 381 to 179. Boeing is the main subcontractor to Lockheed Martin on the F/A-22 program.
- **Military construction:** $310 million in Washington state, with the bulk, $153 million, going to Fort Lewis.
- **Salmon:** $568 million to restore Columbia Basin salmon.

WHAT'S NOT

- Expected costs for continued military operations in Iraq and Afghanistan.
- Money for changes in the Social Security system.
- Costs of making first-term tax cuts permanent.

In the Northwest: We must wake up to realities of global warming

By JOEL CONNELLY
Seattle PI Feb. 9

LANGLEY -- The thermometer on Whidbey Island last weekend hovered in the high 30s, and a cold rain was pounding our corner of the Puget Sound convergence zone.

"Isn't this terrific?" exclaimed landscaper Ginny Snyder as the drops poured down our faces.

Hardened Northwest residents have learned a basic truth: Gray is beautiful. The rains sustain us in a multiplicity of ways. We ski on the winter snow pack. Gradual runoff, lasting through early summer, makes the Columbia Basin bloom and generates inexpensive electric power.

Melt from glaciers and ice fields as far distant as the Canadian Rockies keeps up the flow through fall, when October rains send salmon up rivers and begin the cycle all over again.

It is disturbing, then, that our region is starting to feel effects of global climate change in a drip, drip, drip kind of way.

The climate impact researchers at the University of Washington have made gloomy not-so-long-term predictions: The snow pack will shrink. The runoff season will grow shorter. Glaciers will disappear.

Somehow, public opinion has been slow to respond. "Global warming" isn't a term to elicit worry: Many of us head south to warmer climes during the winter.

Alarmist scenarios, the mega-droughts and monster hurricanes envisioned by some scientists, have created feelings of helplessness. What can be done about something global and unstoppable?

Chiefly, we ignore Cassandra-like warnings. Ex-Sens. Warren Rudman and Gary Hart headed a task force that predicted a major terrorist act on U.S. soil. The government and the public paid no heed. Our media paid more attention to the breakup of movie stars' marriages.

We should be reading signals coming our way on the climate front.

Back in the late 1950s, scientists began to study the advances and retreats of North Cascades glaciers.

Arthur Harrison of the University of Washington mapped advances of the Coleman and Roosevelt glaciers on Mount Baker. The Coleman Glacier was chewing up slide alder along its flanks. Two tongues of the Roosevelt Glacier curled around the ends of a vertical cliff.

The remote South Cascade Glacier came under intense scrutiny at the same time. It appeared pretty healthy, except during the long, hot summer of 1958.

Not so today. The glacier has retreated markedly in years since. Between 1958 and 2001, the South Cascade Glacier lost about one-third of its water volume.

A few miles north, the National Park Service has monitored the North Klawatti and Noisy glaciers. Each has lost three feet or more in thickness in just a decade.

In the Wenatchee Mountains, hikers in the Enchantment Lakes (myself included) have witnessed rapid disappearance of the Snow Creek Glacier during the past 30 years. Three glaciers in the vicinity have vanished altogether since 1969.

Water from these glaciers does vital work. Melt from the Snow Creek Glacier helps sustain salmon in Icicle Creek. It is used for irrigation in the Wenatchee River Valley. It passes through turbines of seven dams on the Columbia River.

Another signal is provided by the vast expanse of dead or dying forests in British Columbia.

The province has been hit by the worst-ever insect infestation of a North American forest. The mountain pine beetle, the size of a grain of rice, is responsible.

Intense, fast-moving forest fires have been sparked in beetle-infested regions. A burn roared out of Okanagan Mountain Park into Kelowna suburbs two years ago. Another destroyed a hamlet west of Kamloops.

Climate has made the invasion possible. The beetles used to be held in check by sudden cold snaps in fall and winter, and sustained frigid winters in interior British Columbia.

"Successive hot, dry summers combined with mild winter in much of central B.C. have allowed the beetle to multiply, and even expand its range to areas that were once historically too cold for the insect to survive," reports the B.C. government.

Before acting, must we wait for further "evidence" -- forest fires, droughts and rising sea levels?

"It's like putting breaks on a supertanker," Robert Corell, who supervised the work of 300 scientists in the just-released Arctic Climate Impact Assessment, recently warned a U.S. Senate committee.

On Mount Baker, in the late 1950s, a big black bear on Bastille Ridge felt challenged by the UW's Harrison's measuring devices and ripped several of them apart.

It's like that today. A seminar at the annual Conservative Political Action Conference in Washington, D.C., is reserved for industry-financed scientists to rip apart the latest evidence of climate change.

The Bush administration won't even acknowledge the problem. Sen. John McCain, R-Ariz., has termed administration performance on the issue as "disgraceful." McCain and Sen. Joe Lieberman, D-Conn., have tried and failed to pass legislation cutting greenhouse gas emissions.

Some initiative has come from the state level. Outgoing Gov. Gary Locke was part of a bipartisan West Coast Governors Global Warming Initiative. The govs called for relatively modest measures such as government purchase of fuel-efficient cars and developing renewable energy sources.

In Olympia today, a state Senate committee takes up a bill to require that new cars emit 30 percent less carbon dioxide, 20 percent fewer toxic pollutants, and up to 20 percent fewer smog-causing pollutants.

Auto manufacturers -- who have their way in Congress -- are fighting state action. Seven states, including California and New York, have adopted tighter standards.

Seattle, too, has begun to act: Global warming was an improbable, but welcome, theme of Greg Nickels' latest state-of-the-city speech.

"Some people will argue, 'This is a world problem. What can we do'?" reflected Jim Luce, the Vancouver, Wash., attorney who chairs the state energy facility siting council.

"We can do what is possible. Considering what's happening here, shame on us if we do not try."

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (2/16): 53,513 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$44.5-49 per MWh, Ave. = $45.8
• Approximate change from previous week	$ +0.9 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$47.27 per barrel (year ago: $34.48)
• Seattle gasoline price (2/15)	$1.91 per gallon (year ago $1.69),
• Natural gas, Sumas Hub:	$5.50 per million British Thermal Units (year ago $5.45)
• Approximate change from last week.	Oil: +1.83 $ per barrel; Nat. gas: +0.01 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- 2004 was fourth warmest year ever recorded (NYT, Feb. 10)
- Abundant Energy Fuels Alberta's Economic Development (NYT, Feb. 6)
- Global climate pact ready to take effect (Seattle PI, Feb. 14)
- Surge in power rates could mean lots of job cuts (TNT, Feb. 15)

5. River and Snow Pack Information (Updated: Jan. 25, 2004)

- Observed Dec. stream flow at The Dalles: 111.3% of average,
- Observed Dec. precipitation above The Dalles: 77% of average,
- Snow pack as % of average, Jan 2005: 75%.
- Forecast Jan.-July 2005 runoff at The Dalles: 84 MAF, 79% of normal,
- Federal hydropower generation in Dec.: 8,976 aMW, 1995-2002 average: 9,286 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Feb. 16, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 2,264 MW
  - Canada (exported to) 328 MW
  - Net power export: 2,592 MW

2004 Was Fourth-Warmest Year Ever Recorded

By ANDREW C. REVKIN, NYT February 10, 2005

Last year was the fourth warmest since systematic temperature measurements began around the world in the 19th century, NASA scientists said yesterday.

Particularly high temperatures were measured over Alaska, the Caspian Sea region of Europe and the Antarctic Peninsula, while the United States was unusually cool. But the global average continued a 30-year rise that is "due primarily to increasing greenhouse gases in the atmosphere," said Dr. James E. Hansen, director of NASA's Goddard Institute for Space Studies, in Manhattan.

The main source of such gases is smokestack and tailpipe emissions from burning coal and oil.

The highest global average was measured in 1998, when temperatures were raised by a strong cycle of El Niño in the Pacific Ocean; 2002 and 2003 were second and third warmest.

Dr. Hansen said a weak Niño pattern was likely to make 2005 at least the second warmest year and could push it beyond 1998 and set a record.

The unusual nature of the recent warming was corroborated separately yesterday by a new analysis of 2,000 years of indirect temperature records in tree rings, stalagmites, seabed layers, and other evidence from around the Northern Hemisphere.

That study, published in the journal Nature, found that previous peaks of warming, particularly during medieval times about 1,000 years ago, were as warm as the 20th-century average but that no spikes in the last 2,000 years matched the warming since 1990.

It is one of several recent studies challenging a longstanding view that temperatures in the Northern Hemisphere were relatively unvarying until the recent warming, a pattern enshrined in a graph scientists have taken to calling the hockey stick for its long horizontal "shaft" and upward-hooking "blade."

The lead author of the new paper, Anders Moberg of Stockholm University in Sweden, said it was important to recognize that natural influences on climate could either amplify or mask human-caused warming in years to come.

But his paper "should not be a fuel for greenhouse skeptics in their arguments," Mr. Moberg said, adding that there were ample signs that the warming was now outside nature's recent bounds.

Abundant Energy Fuels Alberta's Economic Development and Growth in Influence

By CLIFFORD KRAUSS, NYT February 6, 2005

There is an old joke in this oil-rich province where a cowboy hat and boots are always in fashion: What is the difference between Alberta and Texas? Alberta has better relations with the United States.

Of course, that may be an exaggeration even in a province where tall tales are still told around the prairie campfire. But it is all the more telling at a time when the rest of Canada seems to be moving away from the United States in social and foreign policy - and all the more relevant as Alberta comes into its own as an economic powerhouse.

Alberta's premier, Ralph Klein, is the most vociferous national political figure on opposing same-sex marriage, promoting a partnership with the United States on a missile defense system and contending that the Kyoto Protocol on global warming could smother economic growth.

His newest crusade is to seek more private enterprise in Canada's public health care system, which, though ailing, remains an article of faith.

In May, he plans to hold an international symposium here to study the best elements of health care systems around the world, trying to spur a national debate over how to deal with growing waiting lists for medical tests and nonemergency surgery.

Mr. Klein might be seen around the country as a bumptious figure of little consequence if not for the vast oil, natural gas and coal resources of his province. Those resources put Alberta at the center of Canada's economic growth and innovation, and make this out-of-step province an increasingly powerful cultural and social force to be reckoned with.

Alberta's 176 billion barrels of oil reserves are the greatest proven stock outside Saudi Arabia. But most of those reserves are in oil sands, a thick substance only profitable to extract and process when world energy prices are high as they are now.

With conventional oil reserves declining, demand in China growing rapidly and new extraction methods making oil sands cheaper to process, Alberta officials say time is on the side of a province that stands to grow all the more confident and assertive in Canadian politics.

They predict that the one million barrels of oil a day produced from oil sands last year will rise to two million by 2010 and to three million by 2020.

"You can paint a picture that sees Alberta doing better and better," said Charlie Fischer, president and chief executive officer of Nexen Inc., a global oil company based in Calgary that is investing in the latest technology to extract oil sands. "As Alberta becomes stronger financially it will have more influence overall in Canada."

For now, Alberta appears increasingly at odds culturally and politically with liberal Canada. Its Bible Belt is alarmed by same-sex marriage, making the province one of only three in Canada that have so far not changed the definition of marriage to include gay and lesbian unions. It is the only province with a flat tax and no retail sales tax, and it proudly lowers personal and corporate rates year after year. The provincial government has privatized many public services and reduced social services to create the country's only provincial budget surplus in recent years.

Alberta has the money to be innovative, and whatever direction it takes the rest of North America will be watching. The high oil prices and huge building projects to develop the province's oil sands are encouraging all sorts of economic activity.

Calgary and Edmonton are already two of the fastest-growing Canadian cities, with sprawling suburbs, snarling traffic and growing research centers. Engineers, doctors, teachers and architects from around Canada are moving here for higher salaries. With the price of oil at almost $50 a barrel, Alberta received royalties of $7 billion last year. The amount is so large that the province can risk experimenting and a cutoff of federal health care money for breaking guidelines prohibiting the privatization of health care, a course Mr. Klein has hinted he may try.

"The province has a government with more money than it can spend," said Roger Gibbons, president of the Canada West Foundation, a policy research group in Calgary. "Alberta has the chance to lead the country in health care reform. If the federal government cuts funding in retaliation, that's a financial loss Alberta can absorb."

With 3.2 million people, or slightly more than 10 percent of the Canadian population, Alberta remains far less influential than political powerhouses like Ontario and Quebec. But no province came close to its 10.3 percent population growth between the 1996 and 2001 censuses, and political scientists and businesspeople here predict that it is only a matter of time before Alberta reaches a tipping point of national influence.

The newly united Conservative Party, the main opposition to the governing Liberals, was born out of Alberta politics, and its leader, Stephen Harper, comes from Calgary.

"I have a hunch that what you saw in the United States with power moving out from east to west and south, you'll see a little more here the emergence of a different power base," predicted Kevin Libin, editor of Western Standard, a new Calgary-based conservative magazine.

The swing toward the west accelerated in the 1960's and 1970's, when corporate headquarters fled Montreal as Quebec threatened to secede from Canada. Toronto benefited most, and remains the national financial center. But Calgary also grew, though it had a deep recession when oil prices slumped in the late 1970's and early 1980's.

Now, with Canadian business looking to Asia for markets, investment is moving west again - to Vancouver, British Columbia, and to Calgary.

The China connection is likely to grow in importance as Enbridge Inc. proceeds with a $2.2 billion pipeline to move 400,000 barrels of Alberta crude a day to the Pacific coast for export. Chinese investment in the project is considered likely.

The biggest potential risk to Alberta's plans appears to be environmental concerns about global warming. Because oil sands require huge amounts of energy to extract, the provincial government and several energy companies are stepping up efforts to make the process cleaner.

They include proposals to reuse and store greenhouse emissions like carbon dioxide, to recycle the byproducts of oil sands development and to produce cleaner burning natural gas from coal. "That is the vision," said James Dinning, a former provincial treasurer and a businessman. "The beautiful thing about Alberta is we like to experiment and try new and different things."

Global climate pact ready to take effect

Kyoto Protocol weakened without U.S. participation

By CHARLES J. HANLEY A.P., Seattle PI, Feb. 14, 2005.

After seven politically painful years, the Kyoto Protocol finally enters into force Wednesday, reining in industrial emissions of carbon dioxide and other "greenhouse gases" in a first attempt to control climate change.

The global pact negotiated in 1997 in Kyoto, Japan, remains a small step, potentially eliminating only one-tenth of a projected 30 percent rise in worldwide emissions between 1990 and 2010. Its supporters already are looking beyond it, toward bigger steps once the agreement expires in 2012.

Progress will be limited without the United States, however. The world's biggest emitter rejects the Kyoto pact and balks at discussing future mandatory cuts. European environment ministers, key Kyoto supporters, say they will step up efforts this year to win Washington over.

"We will continue to pressure hard for all of our international partners to come on board," European environment chief Stavros Dimas said Wednesday as the European Commission proposed such post-2012 steps as extending emissions reductions to aviation and shipping.

Scientific evidence on climate change continues to mount. At a British government-sponsored conference in early February, international experts cited melting mountain glaciers, shrinking Arctic ice and changes in rainfall patterns, among other effects of global warming.

Compared with even a few years ago, "there is greater clarity and reduced uncertainty about the impacts of climate change," the conference committee concluded.

The global average temperature rose about 1 degree Fahrenheit during the 20th century. A broad scientific consensus attributes the rise largely to the accumulation of heat-trapping greenhouse gases in the atmosphere, and warns of climate disruptions later this century.

The Kyoto Protocol, an adjunct to the 1992 U.N. treaty on climate change, has been ratified by 140 nations, but its binding restrictions apply to only 35 industrialized countries, committed to reducing or limiting output of six gases, chiefly carbon dioxide, a byproduct of burning coal and oil products.

By 2012 the European Union, for example, is to reduce emissions by 8 percent below 1990 levels and Japan by 6 percent.

The United States, which envisaged a 7 percent reduction, signed the protocol in 1997, but the U.S. Senate had resolved in advance not to accept it, citing potential damage to the U.S. economy and demanding that such emerging polluters as China and India be covered.

In March 2001, President Bush also cited the "incomplete state of scientific knowledge" in renouncing the agreement, although the U.S. National Academy of Sciences subsequently endorsed the scientific consensus about the cause of warming.

Because the protocol required ratification by countries accounting for 55 percent of global emissions, the U.S. rejection left it to Russia to keep Kyoto alive. Moscow vacillated for years before finally ratifying it last November, making the pact effective on Wednesday.

Kyoto will require governments to report regularly on compliance, and in some cases the prospects are dim.

But "it's too early to conclude that targets will not be met," said the Dutch head of the treaty secretariat, Joke Waller-Hunter. She noted the EU has opted to "burden-share," to commit to a Europe-wide arrangement whereby one nation's shortcomings can be made up elsewhere.

Key to Europe's success will be its 6-week-old emissions trading system, under which governments have allocated carbon dioxide quotas to 12,000 industrial facilities, from power plants to paper factories. Those emitting less gas than allowed can sell unused "carbon credits" to others that overshoot their targets.

At informal talks this May under the broader, 194-nation U.N. climate treaty, the Europeans are expected to raise the issue of deeper post-Kyoto cuts. Rather than national numerical targets, some experts suggest a "menu" of approaches to attract more governments, involving quotas indexed to economic growth or targets for specific industrial sectors.

In recommendations to the EU governing council last Wednesday, the European Commission noted that a relatively small group -- the EU, United States, Canada, Russia, Japan, China and India -- emits 75 percent of the world's greenhouse gases. It suggested narrower talks on reductions among these governments, parallel to broader treaty talks.

But the Bush administration continues to oppose any post-Kyoto talks. "We think it is premature," said Paula Dobriansky, a U.S. undersecretary of state.

KEY ELEMENTS OF PACT

- **Gases:** Controls emissions of six heat-trapping gases: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.
- **Targets:** Assigns numerical targets for reducing or limiting emissions, compared with a 1990 base, to 35 industrialized countries among 140 nations that ratified the pact.
- **Trading:** Allows emissions trading among the 35 countries: Industrial plants that don't use up allocations of gas output can sell the resulting "credits" to those who overshoot their allowances.
- **Joint implementation:** Allows a country to develop an emissions-reduction project in another of the 35 nations, for credit against the first country's emission target.
- **Clean development mechanism:** Allows offsets of obligations for nations that set up clean-energy projects in developing countries.

Surge in power rates could mean lots of job cuts

News Tribune staff and The Associated Press, February 15th, 2005

A White House proposal to boost power rates for the Bonneville Power Administration could cost Washington and Oregon tens of thousands of jobs by the end of the decade, according to a new report commissioned by U.S. Rep. Jay Inslee (D-Bainbridge Island).

The Bush administration's pitch to increase BPA electricity rates from wholesale prices to levels charged on the open market sparked protests from Northwest politicians, businesses and utilities.

Robert McCullough, an energy consultant who prepared the report, warned that the proposed increase would, in some ways, mimic the effects of skyrocketing prices witnessed during the West Coast energy crisis of 2000 and 2001.

McCullough works for a number of private companies and utilities that buy power from the BPA, a federal power marketing agency based in Portland that supplies the Pacific Northwest with nearly half its electricity, most of it from a system of federal dams along the Columbia and Snake rivers. Changing the price structure could double the wholesale electric rates Bonneville charges utilities in the Northwest, including its customer Tacoma Power.

Between 50 percent and 55 percent of the electricity Tacoma sells comes from Bonneville. Tacoma Power superintendent Steve Klein said a doubling of BPA's wholesale rates could end up increasing residential rates in Tacoma by 35 percent and industrial and commercial rates by up to 75 percent.

McCullough's report said Washington stands to lose 21,000 to 32,000 jobs, and Oregon could lose from 19,600 to 30,000.

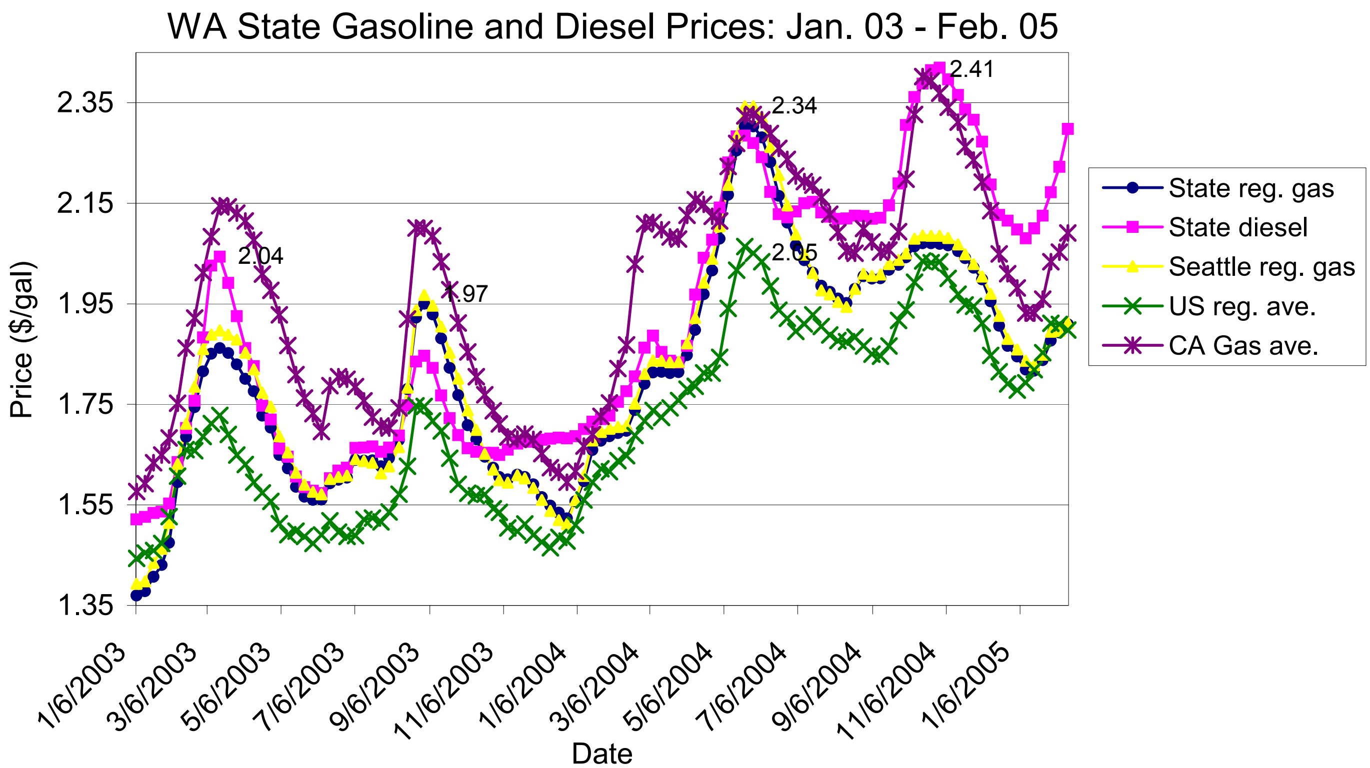
He noted that the 2000-01 energy crisis cost the Pacific Northwest more than 70,000 jobs in primary industries dependent on electricity.

A Bush administration official cautioned it was too early to make detailed projections about what the proposal would do.

Joe Davis, a spokesman with the Department of Energy, which controls the BPA, said any rate increase would not likely have a huge impact because charges would be raised over several years. He also said the increases wouldn't affect prices set in long-term contracts held by major buyers of BPA power.

Several Northwest lawmakers jumped on McCullough's report as another piece of ammunition in their fight to preserve cheaper power. The idea has drawn bipartisan criticism from Northwest politicians.

Gasoline and diesel prices continued their rise, particularly on the west coast. Washington state diesel prices have gone up especially quickly and are now some of the highest in the nation. The difference in state average cost between diesel and gasoline is nearly 40 cents/gallon.



Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (2/23): 50,389 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: $44.5-49 per MWh, Ave. = $45.8
- Approximate change from previous week $ +0.9 per MWh
- "Normal" price range, before 5/00 $20-$40 per MWh
- Petroleum, West Texas Intermediate: $51.15 per barrel (year ago: $35.78)
- Seattle gasoline price (2/22) $1.99 per gallon (year ago $1.75),
- Natural gas, Sumas Hub: $5.45 per million British Thermal Units (year ago $5.45)
- Approximate change from last week. Oil: +3.88 $ per barrel; Nat. gas: -0.05 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Seattle dreams of 'green' team (Seattle PI, Feb. 18)
- Marking Sempra's Methods (LA Times, Feb. 17)
- Oil Prices Rise Amid Concern Over Weather and Supplies (NYT, Feb. 23)
-

5. River and Snow Pack Information (Updated: Feb 18, 2004)

- Observed Jan. stream flow at The Dalles: 122.9% of average,
- Observed Jan. precipitation above The Dalles: 75% of average,
- Snow pack as % of average, Jan 2005: 68%.
- Forecast Jan.-July 2005 runoff at The Dalles: 82.4 MAF, 77% of normal,
- Federal hydropower generation in Jan.: 8,137 aMW, 1995-2002 average: 9,799 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Feb. 23, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 2,195 MW
  - Canada (exported to) 264 MW
  - Net power export: 2,459 MW

Seattle dreams of 'green' team

Mayor urging other U.S. cities to enact Kyoto Protocol

By KATHY MULADY, SEATTLE POST-INTELLIGENCER REPORTER

The U.S. government may have turned its back on the Kyoto Protocol, but Seattle Mayor Greg Nickels said yesterday he plans to spearhead a city-by-city effort to implement the climate-protection measures that went into effect in more than 100 other countries yesterday.

Nickels said he is gathering support from mayors in other cities and plans to build a "green" coalition of his counterparts at the U.S. Conference of Mayors when the group meets in Chicago in June.

"Seattle, along with other U.S. cities, will provide the leadership necessary to meet this threat," Nickels said.

He plans to introduce a resolution at the mayors conference setting up the coalition for other cities to join. To be eligible, cities would have to agree to certain steps to lower greenhouse gas emissions. The details of the resolution are still being worked out.

The Kyoto Protocol was hammered out in Kyoto, Japan, in 1997 and commits countries to reduce or limit the output of six gases, chiefly carbon dioxide, a byproduct of burning coal and oil products.

By 2012 the European Union, for example, is to reduce emissions by 8 percent below 1990 levels and Japan by 6 percent.

The United States had envisioned a 7 percent reduction, signed the protocol in 1997, but in 2001, President Bush renounced the agreement, saying compliance would cost millions of U.S. jobs.

In the meantime, many cities across the country, including Seattle, have adopted the Kyoto Protocol standards, or set even higher goals.

When the city of Seattle adopted the Kyoto Protocol four years ago, while Paul Schell was mayor, it joined nearly 100 other U.S. cities in setting reduction targets.

The 2001 resolution called for dramatically reducing greenhouse gas emissions by the city, and calling on national leaders to support targets at least as aggressive as those described in the Kyoto Protocol.

Nickels said he will work with the state Legislature to pass the clean-car bill, requiring stronger emission standards for cars sold in Washington. The legislation is based on a similar law adopted in California.

Nickels has also directed city departments to reduce paper use 30 percent by the end of 2006 and said that global warming will be a consideration in doling out neighborhood matching fund grants.

Yesterday, Nickels also announced a commission on climate protection that will be led by Denis Hayes, founder of the first Earth Day and president of the environmentally focused Bullitt Foundation. Orin Smith, president of Starbucks Coffee Co., also will lead the committee.

In making his announcement yesterday, Nickels was flanked by Hayes and Steve Howard, chief executive of the Climate Group, a non-profit based in London dedicated to slowing greenhouse gas emissions.

Hayes described the effects of global warming that are already being seen in Europe. He described small indicators such as bees that no longer hibernate and a 2003 heat wave that killed thousands in Europe.

"Early movers like Seattle have a farsighted advantage in taking a leadership position," Howard said. "It is good for business, good for the community and good for the world."

Some see evidence of global warming in the Pacific Northwest where the snowpack provides water, hydroelectricity and irrigation. According to reports, the Cascade snowpack is down 50 percent since 1950.

The city of Seattle government has reduced its emissions 60 percent since 1990, said Steve Nicholas, director of the city's Office of Sustainability and Environment. The city required more fuel efficiency in its cars and attempted to reduce the number of trips taken.

However, communitywide it is a different story, according to a report by the Puget Sound Clean Air Agency.

By 2010 emissions are expected to increase 21 percent above the 1990 number, and by 38 percent by 2020.

About 50 percent of those emissions come from vehicles.

Councilwoman Jean Godden, head of the city's energy and environmental policy committee, was in Olympia yesterday to testify in support of the proposed clean car legislation. The bill calls on manufacturers to dramatically reduce car emissions by 2012.

"Interestingly enough, by doing that it could save people about $18 a month in gasoline costs," Godden said.

She said she is excited about Nickels' plans.

"As we know, the council adopted the Kyoto Protocol in 2001, and now the mayor has taken it a step farther and is challenging other cities to do the same," she said. "I am very excited, we are going the right direction and setting the standard. "

Councilman Richard Conlin, who was also in Olympia yesterday, called Nickels' announcement "great."

"All of those things are wonderful; we are glad to have him on board," Conlin said.

K.C. Golden, policy director for Climate Solutions, said Seattle is well positioned to set the standard for other cities.

"This was ground zero for the information revolution, we have more than our share of the world's innovators here," he said. "Our contribution to the solution can be bigger than our contribution to the problem."

Mayors in some other cities have already pledged to work with Seattle.

In a statement, Portland Mayor Tom Potter said his city was the first in the country to adopt a policy for reducing greenhouse gas emissions.

"We are proud that the people of Seattle share our vision for turning the crisis of global warming into an opportunity to transform our economy and leave a healthier planet for our children and grandchildren," he said.

Mayor Jerry Brown of Oakland, Calif., added his support. Oakland has set a goal of 15 percent reduction by 2010.

Marking Sempra's Methods

• CEO Stephen Baum is proud of having kept the utility owner solvent, despite complaints over rate hikes.

By James F. Peltz, LA Times Feb. 22

When **Sempra Energy** Chief Executive Stephen Baum recently took stock of his years at the helm of the nation's largest utility owner, he was characteristically blunt about the milestones.

"We didn't bankrupt the company," the ex-Marine said.

Sempra is the parent of Southern California Gas Co. and San Diego Gas & Electric Co. — two utilities that played key roles in California's 2000-01 energy crunch. To Baum, in his final year as chief executive, merely keeping Sempra solvent is noteworthy, especially compared with the state's other investor-owned utilities.

PG&E Corp.'s Pacific Gas & Electric went through a bankruptcy reorganization, emerging from a three-year stay in Chapter 11 last year. **Edison International**'s Southern California Edison came perilously close to the same fate.

San Diego-based Sempra, whose 22.8 million California customers stretch from San Luis Obispo to the Mexican border, has had its own problems grappling with the crisis and its aftermath. The company at times has infuriated its customers, vexed Wall Street analysts, drawn the ire of consumer advocates and repeatedly battled with California lawmakers and regulators.

Last week, for instance, state Sen. Joe Dunn (D-Santa Ana) accused Sempra of lying to legislative investigators when Sempra denied that it participated in electricity trading schemes during the state's energy crisis.

Sempra also faces a class- action lawsuit that accuses the company of manipulating the natural gas market and exacerbating the state's electricity problems, because most power plants are fueled with gas. Sempra's potential liability if it loses is $24 billion. The company strongly denies both allegations.

Through it all, Sempra has maintained profitable growth under a multi-prong strategy devised by Baum and Sempra President Donald Felsinger, who is set to become CEO when Baum retires Jan. 31.

With 13,000 employees, Sempra not only delivers electricity and gas via its two traditional utilities, it also runs power generation plants; trades electricity, gas and other commodities; operates energy pipelines and storage; and is expanding into the liquefied natural gas market. The company's relative good health in recent years, when other energy suppliers and traders were struggling to survive, helped Sempra snap up assets on the cheap.

SDG&E and Southern California Gas remain heavily regulated in what they can charge ratepayers.

But Sempra's trading, generation and LNG businesses aren't — providing Sempra with potential growth well above the single-digit rates forecast for SDG&E and Southern California Gas.

"The decision to get into the trading business was a seminal decision for the corporation," Baum said in an interview.

Indeed, gains from commodities trading are why Sempra this month raised its forecast for its 2004 profit to about $3.80 a share from earlier guidance of $3.15 to $3.25 a share. Sempra is scheduled to announce its 2004 results Wednesday.

That would extend Baum's streak of lifting Sempra's earnings every year since he became CEO in 2000. Its stock price has more than doubled over that period; it closed Friday at $39.50, down 50 cents for the day, on the New York Stock Exchange.

"We've liked Sempra for a long time," said Doug Christopher, an analyst with Crowell, Weedon & Co. in Los Angeles who rates Sempra a "buy" but doesn't own the stock. "It has a slow and steady approach, a safe dividend, diverse businesses, a strong financial position and a proven management team."

Sempra was created in 1998 when Enova Corp., which owned SDG&E, merged with Pacific Enterprises, parent of Southern California Gas. (The name is a derivative of the Latin word "semper," or always.) As the deregulation of California's energy market began unraveling in 2000, Sempra was able to sidestep the deep financial problems that befell Edison and PG&E.

In a nutshell, San Diego Gas & Electric took the necessary steps — such as selling off power-plant assets — required to remove a cap on its customers' rates mandated by the state's 1996 deregulation law.

Edison and PG&E didn't take those steps as quickly, so their customer rates remained frozen when, in 2000, wholesale power prices skyrocketed. While SDG&E was able to pass along most of the higher costs to its customers, the others couldn't.

That forced Edison and PG&E to run up huge debts buying electricity for their customers. PG&E filed for bankruptcy protection and Edison teetered on the edge for months.

But in avoiding that problem, SDG&E ran headlong into others. When its 1.3 million electricity customers saw their power bills soar, they were livid, and SDG&E and Sempra became targets of ratepayer hostility.

"There is still deep-seated resentment toward SDG&E" because its "customers were used as human shields" to help the utility survive the crisis, said Michael Shames, executive director of the Utility Consumers' Action Network in San Diego, a frequent Sempra critic.

Baum said he regretted that "for a period of time we accelerated [electricity] prices beyond people's comfort level. But there was nothing we could do about it. The alternative would have been to have the company go bankrupt."

Sempra executives realized they needed to do more that outlast the market meltdown; they needed to find new ways to prosper.

Now, Sempra is staking its growth on areas such as trading and importing liquefied natural gas. Last fall, it won approval to build North America's first West Coast LNG terminal about 14 miles north of Ensenada. It is scheduled to open in 2008. Sempra also is developing plans to bring Alaskan LNG to the West Coast.

Sempra and others see LNG — which is converted to liquid form for transport by tankers and then reconverted to gas upon arrival — as a way to meet California's soaring gas demand and to profit from the surge in gas prices in recent years.

The same run-up in gas prices has helped burnish profit at Sempra's trading division. But the volatility of commodities prices makes Wall Street leery that Sempra's trading arm can generate reliable earnings growth.

The stock market "doesn't value trading income as highly as profits from other businesses," Value Line Investment Survey said in a report two weeks ago. In addition, Sempra's dividend yield of 2.5% is "subpar" for a utility and "another limiting factor" for investors, analyst Daniel Ford of Lehman Bros. said in a recent report.

Felsinger said Sempra was haunted by the ghosts of rogue traders such as **Enron** Corp. that went bust. Sempra's trading unit is "carrying the burden of a lot of companies that had these businesses and ran them into the ground," he said.

Another drag on the stock: The class-action suit in which some municipalities, companies and consumers alleged that Southern California Gas rigged the gas market and added to the power crisis.

The suit's "overhang" is one reason Merrill Lynch & Co. analyst Sam Brothwell gives Sempra's shares a "neutral" rating. The "prospect of a utility being put on trial for overcharging its customers is not pleasant," he said in a report last month, adding that Sempra is likely to seek a settlement before the trial starts in June.

That might add another milestone to Baum's list as he prepares to leave. Regardless, Baum said he had few regrets despite Sempra's ongoing controversies with regulators, lawmakers and customers.

"A major driver for me was to make sure our employees' jobs were protected and their families were protected and that the shareholders didn't lose their investment," he said. "I'm very proud of the fact that's been the case."

Oil Prices Rise Amid Concern Over Weather and Supplies

By JAD MOUAWAD, NYT February 23, 2005

Crude oil prices rose 5.8 percent to their highest level in nearly four months yesterday, jumping above $51 a barrel, on concerns that OPEC might curb supplies when it meets next month. Cold weather in North America and Europe contributed to the surge by pushing up heating oil prices.

The gains sent stocks plunging as investors feared higher energy costs would hurt the economy. In the most active day of trading so far this year, the Dow Jones industrial average and the Standard & Poor's 500-stock index both fell more than 1.4 percent, their steepest drops since the first week of August.

Light sweet crude futures on the New York Mercantile Exchange gained $2.80, to $51.15 a barrel yesterday, as trading resumed after the Presidents' Day holiday. Heating oil futures rose to their highest level since October, gaining 6.7 percent, to $1.44 a gallon.

The jump in oil prices "reflects a realization that 2005 has the potential to be an even tighter year than 2004," said Kevin Norrish, an analyst at Barclays Capital in London. "People are very worried that OPEC might make some production cuts."

Strong growth in demand coupled with concerns that supplies were lagging have pushed oil prices up 49 percent over the last year. Crude prices in New York rose to a record $55.67 a barrel in October. They then dropped to nearly $40 before the Organization of the Petroleum Exporting Countries intervened to prevent further declines and cut production at the beginning of January.

While most analysts expect demand to slow this year from the record pace of 2004, high prices are not prompting China and the United States, the two main contributors to growth in the market, to significantly reduce their consumption. Global demand is expected to grow 1.8 percent, to 84 million barrels a day this year. Last year, demand rose by 3.4 percent, to 82.5 million barrels a day, the strongest pace of growth in nearly three decades.

Greater demand means greater reliance on OPEC supplies. The group's 11 members account for about a third of the world's production and nearly half of global exports. The International Energy Agency, in a report earlier this month, cut its forecasts for Canadian and Russian production and warned that the output from producers outside of OPEC would slow this year.

"The path of least resistance was clearly on the upside today," said Eric Bolling, an independent oil trader on the Nymex, who is betting that crude prices will continue to rise. "You've had bad weather and OPEC combined with a strong market."

The latest jump in prices came amid concerns that OPEC, which meets in Iran on March 16, might consider production cuts for the second quarter. Demand typically slows down in the second quarter while companies in industrialized countries rebuild their stockpiles.

OPEC's heavyweight members have sent mixed messages in recent days about their intentions. Ali al-Naimi, the oil minister of Saudi Arabia, said on Monday that he did not expect commercial stockpiles to rise above 52 days of demand in the second quarter. Oil markets interpreted that as a signal that the group was considering a cut in production.

While commercial inventories now stand at 51 days of supplies, the figure suggested by Mr. Naimi is lower than a previous, informal target of 56 days that OPEC said it would be comfortable with when the group last met in January.

"The message you're getting from OPEC is that basically they don't want to see inventories build up from their current levels," said Mr. Norrish of Barclays. "OPEC's figures suggest that if they want no more stock-build at all, they'll need to cut back production."

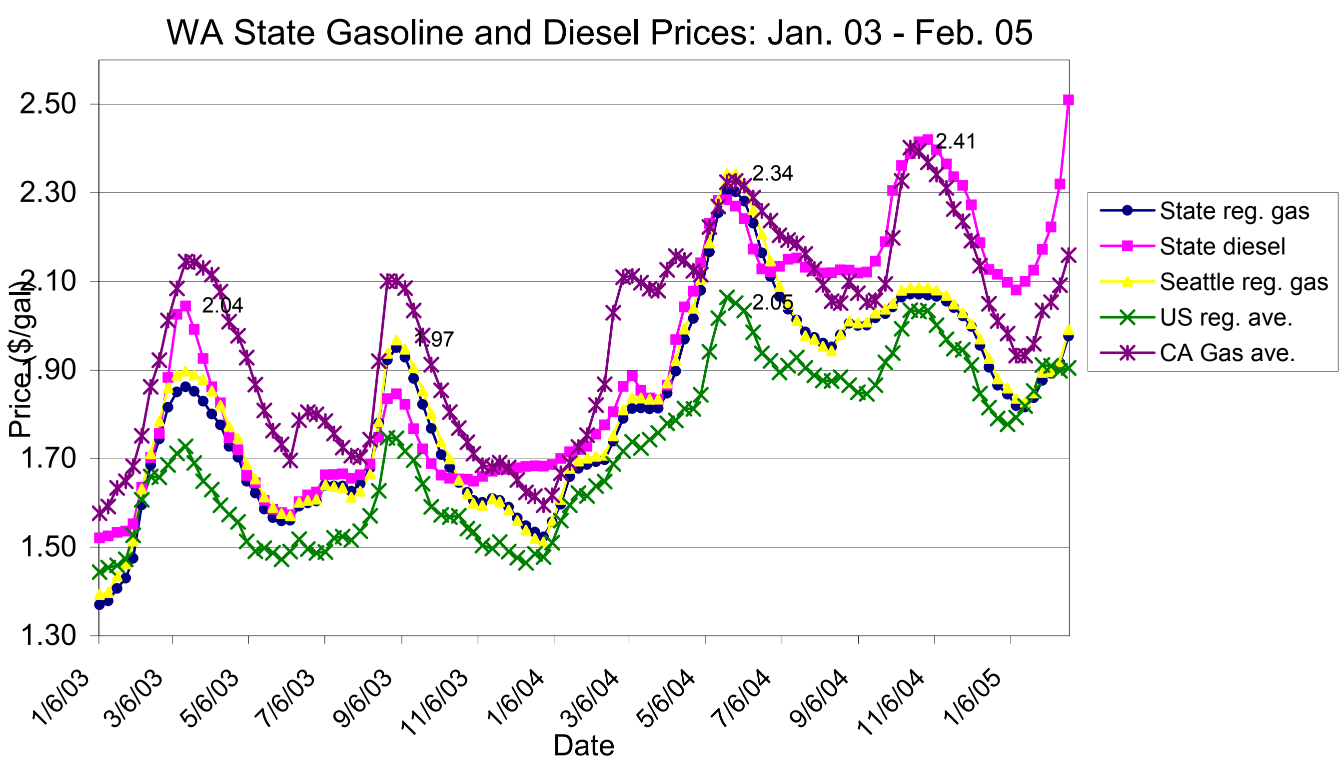
But the group's president, Sheik Ahmad al-Fahd al-Sabah, who is Kuwait's oil minister, said yesterday that he did not think a cut in production was needed.

"There is no need for action now because inventories have not built in a big way that makes us worry about prices in the second quarter," Mr. Sabah told reporters in Kuwait yesterday, according to Reuters.

Meanwhile, big swings in oil prices are becoming more common, a further signal that the global oil market is operating with little spare capacity to cover disruptions in supplies.

"Substantial amounts of volatility aren't unusual anymore," Mr. Norrish said. "Trying to pin moves on any one discrete event is harder. This is turning out to be, in a sense, normal trading."

Diesel prices continued their rapid rise in Washington State and on the west coast. Washington diesel prices for this week are averaging $2.51/gal making them the highest in the continental US (second highest in the nation). Over the last four weeks diesel prices have gone up 34 cents/gal. During this period gasoline prices have increased 10 cents/gal. so that the difference in average cost between diesel and gasoline now stands at 53 cents/gallon (27% more for diesel). The three primary causes for the price increase in decreasing order of importance are: a scheduled maintenance shutdown of one of the state refineries, continued high demand for diesel particularly by the trucking industry, and higher world crude oil prices.



Wednesday March 2, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (3/2): 46.572 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: $52.5-45.9 per MWh, Ave. = $48.1
- Approximate change from previous week $ +2.3 per MWh
- "Normal" price range, before 5/00 $20-$40 per MWh
- Petroleum, West Texas Intermediate: $51.68 per barrel (year ago: $35.33)
- Seattle gasoline price (3/1) $2.05 per gallon (year ago $1.79)
- Natural gas, Sumas Hub: $5.60 per million British Thermal Units (year ago $5.45)
- Approximate change from last week. Oil: +0.53 $ per barrel; Nat. gas: +0.15 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Construction standards: build efficiency in (Seattle PI, Feb. 28)
- Plans to charge vehicle owners more fees is adding up (Seattle PI, Feb. 27)
- NW environment is too oil dependent (Seattle PI, Feb. 25)
-

5. River and Snow Pack Information (Updated: Feb 28, 2004)

- Observed Jan. stream flow at The Dalles: 122.9% of average,
- Observed Jan. precipitation above The Dalles: 75% of average,
- Snow pack as % of average, Jan 2005: 68%.
- **Forecast Jan.-July 2005 runoff at The Dalles: 71.2 MAF, 66% of normal**,
- Federal hydropower generation in Jan.: 8,137 aMW, 1995-2002 average: 9,799 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Mar. 2, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 2,005 MW
  - Canada (exported to) 314 MW
  - Net power export: 2,319 MW

Construction Standards: Build efficiency in

SEATTLE POST-INTELLIGENCER EDITORIAL BOARD, Feb. 28, 2005

Washington should construct official buildings that are as green as the state's forests.

Under bills before the Legislature, large new construction and remodeling projects financed by the state would have to meet standards for environmentally friendly buildings. The U.S. Green Building Council's ratings measure dozens of factors, including energy conservation, use of local and recycled materials and indoor air quality.

The proposals, House Bill 1272 and Senate Bill 5509, would make good use of taxpayer dollars by helping to ensure that public buildings function efficiently. The requirements would help the construction industry in the state become more familiar with the emerging trend, which has been used in many private buildings in Oregon.

Timber industry representatives have expressed legitimate concerns about how the standards will treat wood from state lands; the issues should be resolved with bill wording that would make a modest allowance in how the state treats the scoring system.

Better buildings sometimes cost slightly more but they can also cost less, in part because the standards are flexible. A recent examination by state school officials found that long-term savings more than makes up any extra costs.

Such buildings also seem to raise student performance. Healthy young minds deserve a chance to thrive in healthier buildings.

Plan to charge car owners more fees is adding up

By Larry Lange SEATTLE POST-INTELLIGENCER, Feb. 28

The first elements of what could be a sweeping package of new transportation taxes have begun to appear in Olympia.

A dozen members of the House have introduced a bill that would add new road-use fees, expand weight fees to cars and small trucks, restore local street-tax maintenance authority, and expand the ability of counties to raise local gasoline taxes for road projects.

And more changes may be coming.

The state Transportation Commission has floated the idea of raising the state gas tax 10 cents a gallon, and lawmakers may consider forming more regional transportation authorities to finance road and other transportation work outside the Puget Sound region.

"I think it's part of a larger puzzle," said Rep. Dave Upthegrove, D-Des Moines, one of the legislators who introduced House Bill 1989.

"We're starting with (local issues), and I think you can expect to see regional proposals and statewide proposals. The costs of doing nothing are much more than the costs of investing in the system."

Two years ago, lawmakers raised the statewide gas tax 5 cents a gallon and "people are seeing results," Upthegrove said. "No legislator who voted for it lost their seat. There's a growing recognition of the importance (of transportation) and that we can address these issues."

The House bill would:

- Allow cities or counties to impose a $20-a-year "vehicle fee" to be used for street and road improvements, starting next year and increasing to $25 annually in 2010 and $30 a year in 2015. The fee would replace one struck down by Initiative 776.

The tax would raise nearly $127 million annually if imposed statewide, an amount that would grow with inflation. It would initially raise about $35.9 million a year in King County and $62.8 million in the three-county region of King, Pierce and Snohomish.

- Expand to cars and light trucks the yearly vehicle-weight tax imposed on heavy trucks, buses and certain for-hire vehicles. The charge, as outlined in the initial version of the bill, would be 1.5 cents per pound of vehicle weight.

The owner of a new Volkswagen Beetle with a manual transmission would pay $42 a year, the owner of a Buick Century with an automatic transmission would be charged $50, and the driver of a Dodge Dakota Quad Cab pickup with a stick shift would pay $64 annually.

The weight tax would raise $82.8 million a year in King County and $148.5 million in the three-county area.

- Allow counties to impose a fuel tax of up to 20 percent of the state tax, or 5.6 cents a gallon, for local road improvements. Counties have for several years had the authority to levy up to 10 percent of the 28-cent tax; so far none do.

Initial estimates say the tax would raise as much as $55.3 million annually in King County and $98.5 million in the three-county area. A statewide figure hasn't been released.

- Allow cities to set up street-utility service districts to pay for transportation improvements. Fees would be assessed on homes and businesses using the streets in each area, based on estimated numbers of vehicle trips.

The new fees would replace similar charges, such as one in Seattle that the state Supreme Court ruled was an unconstitutional property tax in 1995.

Analysts haven't yet said how much the utility tax would raise, since it would be set by individual cities. Upthegrove said the new tax would meet the high court's objection because it would amount to a "user fee ... determined by road usage" and not property values.

But the bill is drawing predictably mixed reviews.

Cities and counties are generally supporting it, with officials saying they need more money to repair roads, fix unsafe bridges, complete postponed projects and keep the transportation system from falling apart.

"We're willing to make those tough decisions (to impose the taxes) at home, where we will face the voters," Seattle Mayor Greg Nickels told the House Transportation Committee.

At the same time, truckers said a local gas tax increase could put some operators at a competitive disadvantage; restaurant owners said a street tax could drastically cut operators' profits; and grocers said the street tax could fall disproportionately on them, given their high vehicle traffic and prime locations.

"I don't believe streets are a utility, because utility charges are based on usage," said Seattle apartment owner Lou Novak.

Any tax package requires approval of both legislative houses, which has not yet occurred. There is some support in the Senate for an expanded vehicle-weight fee, but leaders of that chamber haven't signed off on any other details in the House package.

Other possibilities for wider-ranging measures include authorizing more regional transportation investment districts, like the one that includes King, Pierce and Snohomish counties, and possibly adding Kitsap County to the Puget Sound authority.

The weight fees and additional license taxes are among new taxes suggested, without a specific recommendation, by the state Transportation Commission, which a month ago proposed a separate, $11.4 billion increase in spending over 10 years for state projects.

The commission's proposals included $2 billion for designing and building part of a replacement for Seattle's Alaskan Way Viaduct, $1 billion toward replacing the Evergreen Point Bridge on state Route 520 and $50 million toward replacing the Columbia River Bridge at Vancouver.

Another $1.1 billion would go toward transit programs. About $230 million would pay for safety programs such as sidewalks and road improvements.

Another measure, also listed by the commission, could be increasing the state gas tax by 10 or 15 cents a gallon, starting this year and being phased in over two or three years.

A 10-cent increase would raise about $3.5 billion over 10 years; a 15-cent increase would bring in about $4.8 billion over 10 years, the commission estimated.

So far no bills have been introduced this session to raise the tax. Agreement will have to be reached on what a new gas-tax level might be and what counties might be included in regional taxing districts.

NW Environment: Too dependent on oil

SEATTLE POST-INTELLIGENCER EDITORIAL BOARD, Feb. 25, 2005

The Northwest's quality of life depends greatly on energy -- to move people, heat our homes and power our businesses. There's a lot we can do to make a better energy future here.

A new report from Northwest Environment Watch takes a close look at energy and the strength of the economy. This second edition of the group's pioneering Cascadia Scorecard of the Northwest's quality of life finds big causes for concern about the security of our energy supplies.

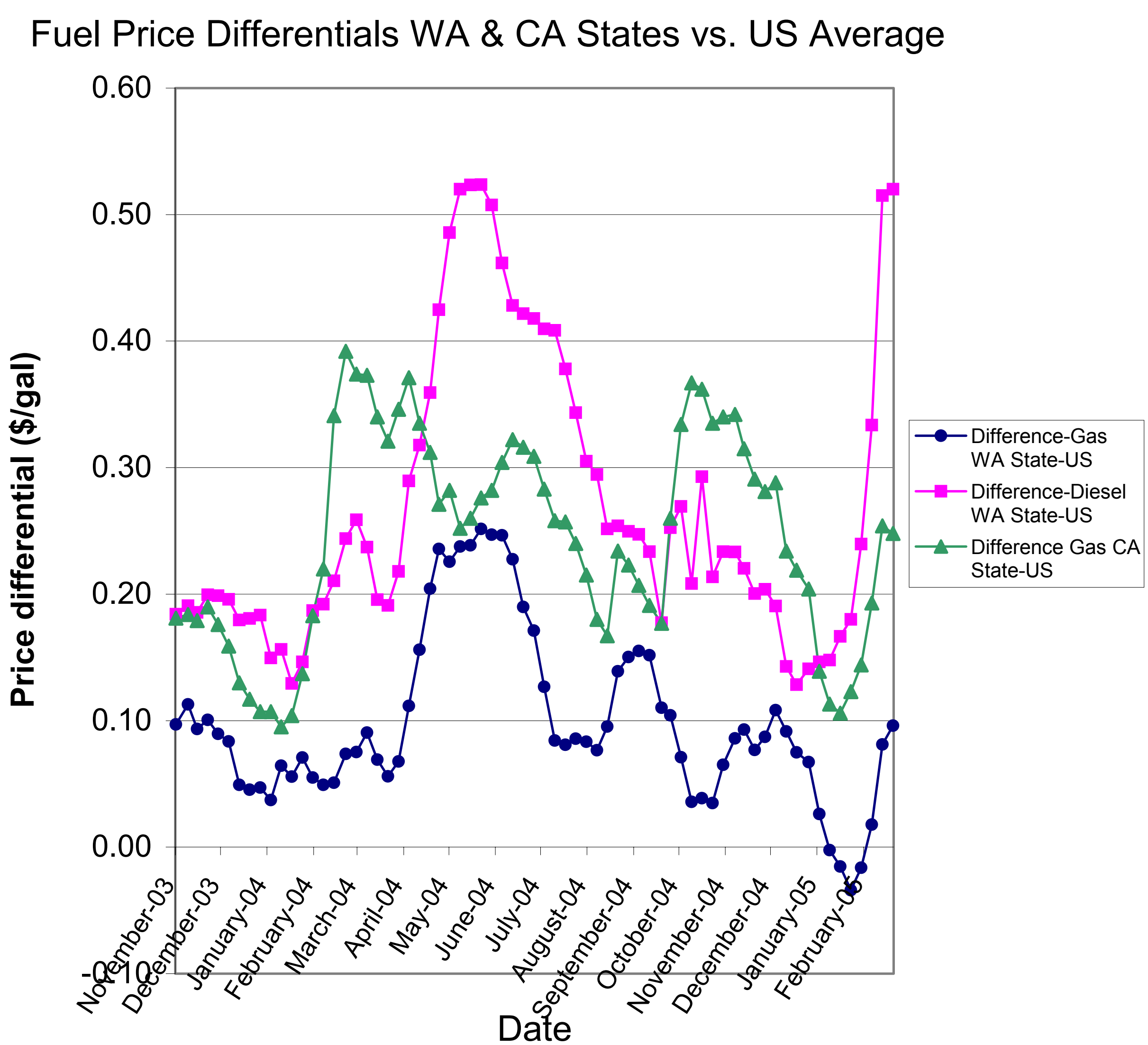
As the report notes, the Northwest states and British Columbia's metropolitan areas are heavily dependent on long pipelines or transmission lines that are inherently hard to protect against terrorist attack or natural disaster. The report sees at least marginal value in some efforts to make the distribution systems more secure.

The real gains, though, would come from reinventing our energy future. And revolutionary improvement is no pipe dream because of new energy sources and the Northwest's high-tech strengths. Policy changes could encourage not just cleaner car engines but also greater use of efficient appliances. We won't send as much money elsewhere if, for example, we develop cellulose ethanol for fuel from wood and plant waste.

As motorists and the scorecard note, rising energy costs mean money is pumped away faster than ever. We'd all be better off with a system using more clean, reliable Northwest sources of energy.

Diesel prices in Washington State have increased 10 cents/gal last since last weeks report, and are averaging $2.65/gal making them the highest in the US (Oregon ave. price is second highest in the nation). Over the last six weeks diesel prices have gone up 54 cents/gal- roughly a 25% increase. During this period gasoline prices have increased 20 cents/gal. so that the difference in average cost between diesel and gasoline now stands at 62 cents/gallon (30% more costly for diesel). The US average price for diesel has also started to increase quickly adding nearly 10 cents/gal. over the last week. The primary causes for the recent price increase in decreasing order of importance are: a scheduled maintenance shutdown of one of the state refineries, continued high demand for diesel particularly by the trucking industry, and higher world crude oil prices, a brief shutdown of the Olympic pipeline in February, and possibly requirements for switching to low-sulfur diesel fuel.

On the electricity front, snow pack and rainfall are still well below normal causing the NW River Forecast Council to lower their forecast for spring and summer run off: see forecast fourth bullet on number 5 on first page.



Wednesday March 16, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (3/15): 46,472 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

Weekly Range at Mid-C:	$51.0 - 46.3 per MWh, Ave. = $49.0
Approximate change from previous week	$ +0.7 per MWh
"Normal" price range, before 5/00	$20-$40 per MWh
Petroleum, West Texas Intermediate:	$55.05 per barrel (year ago: $34.93)
Seattle gasoline price (3/15)	$2.18 per gallon (year ago $1.84)
Natural gas, Sumas Hub:	$5.95 per million British Thermal Units (year ago $4.80)
Approximate change from last week.	Oil: +1.15 $ per barrel; Nat. gas: +0.08 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Gas tax pushed (Seattle PI, Mar. 8)
- County denies EnXco wind project (Daily Record, Mar. 10)
- IEA raises demand forecast: Oil prices top $54 (NYT, Mar. 11)
- Governor declares drought emergency (Seattle PI, Mar. 11)
- Lynden Cow-Power plant is state's first (Bellingham Herald, Mar. 12)

5. River and Snow Pack Information (Updated: Mar 7, 2005)

- Observed Jan. stream flow at The Dalles: 122.9% of average,
- Observed Jan. precipitation above The Dalles: 75% of average,
- Snow pack as % of average, Jan 2005: 68%.
- Forecast Jan.-July 2005 runoff at The Dalles: 71.2 MAF, 66% of normal,
- Federal hydropower generation in Jan.: 8,137 aMW, 1995-2002 average: 9,799 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Mar. 15, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 1,778 MW
  - Canada (exported to) 540 MW
  - Net power export: 2,318 MW

Gas tax increase pushed

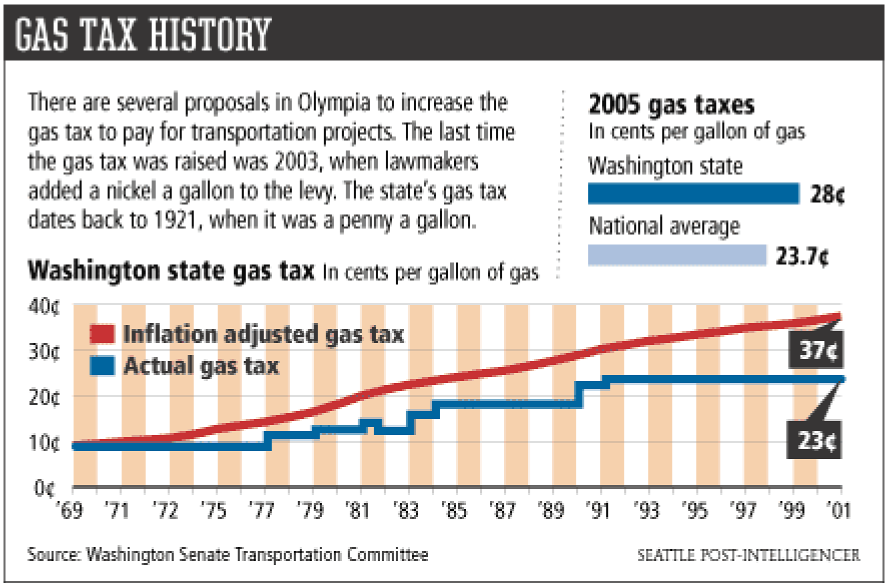
Legislators looking for money to pay for roads, safety and transit

By Larry Lange, Seattle PI, Mar. 8

Halfway through the state legislative session, the transportation-tax talk is turning to another increase to the state's current 28-cents-a-gallon gas tax.

Lawmakers are beginning to propose ways to again raise the gas tax to rebuild and improve roads and improve safety and transit service. It's not yet clear how high the tax proposal might be.

"This is a work in progress," Sen. Ken Jacobsen, D-Seattle, said of a transportation-tax package. "I don't know what it's going to look like in the end."



Sen. Dan Swecker, R-Rochester, introduced a bill yesterday that would raise the per-gallon tax 1 cent per year for 20 years, an attempt to generate more than half of a $20 billion fund to pay for replacing the Alaskan Way Viaduct and the Evergreen Point Bridge, expanding Interstate 405, building a new U.S. 395 freeway in Spokane and other "mega-projects."

Swecker also plans to introduce a bill to allow formation of more regional-transportation entities, such as the Central Puget Sound Regional Transportation Improvement District, which could raise voter-approved taxes locally to help finance projects along with the state.

The Puget Sound area's district has been unable to settle on a package of local taxes and projects, but Swecker said more state taxing could help.

"The real problem is money," he said.

Sen. Mary Margaret Haugen, D-Camano Island and chairwoman of the Senate Transportation Committee, is considering a proposal to raise the tax 2 cents per year for two years and "indexing" the tax some way that it would increase to keep up with rising costs.

Swecker said his own constituents seem more receptive to a small gas-tax increase now that gas prices have risen several cents a gallon in recent weeks. Lawmakers said their colleagues seem bolder this year about raising transportation taxes after successfully raising the tax 5 cents per gallon two years ago and using it to complete needed work.

Several levels of gas-tax increases, ranging from 1 to 10 cents per gallon, are being discussed in the House and are being studied by staff members. Rep. Ed Murray, D-Seattle and chairman of the House Transportation Committee, said it's not clear which one, if any, will emerge and be voted on.

Murray said the two House party caucuses haven't yet decided what projects the new taxes should finance if a bill is passed, a key hurdle before deciding what new taxes to add, if any. He said it's not clear Swecker's approach would produce enough money to complete the viaduct replacement or other big projects because the measure wouldn't use the initial revenue to sell large-figure bonds.

"If it's simply a penny a year in cash you can't build a single project," he said.

And there's still the question of local transportation taxes. A House measure, House Bill 1989, would allow cities and counties to impose a voter-approved local gas tax up to 5.6 cents per gallon and impose a vehicle license surcharge to finance local projects.

The House measure also would set up a weight tax and allow new street utilities that would charge fees to help build and maintain roads. The measure faced heavy opposition from business and the oil industry, however. The Senate version, Senate Bill 6016, left the vehicle-license surcharge provision but dropped the local gas, weight and street taxes and substituted three different taxes: a $1-per-month-per-household tax, a $2-per-month-per-employee business tax and a $50 per-lot property tax intended to be annual, though the bill doesn't say that yet.

The household, employee and lot taxes, under the Senate bill, could be adopted by a county council or put to a countywide vote. The Senate measure has cleared the Transportation Committee and awaits floor action. But Senate passage could set up a confrontation with the House, where Murray said the original version remains "very much alive."

The local-tax measure still faces opposition from business interests who opposed the street-utility, weight and local gas-tax options as too costly to them.

Business lobbyists also object to the idea of "indexing" the gas tax so it will automatically rise over time, and the oil industry opposes, also as too expensive to it, the idea of local gas taxes that vary from location to location.

And some Republicans have a problem with the idea of raising statewide taxes. The state now has the 10th-highest per-gallon gas tax in the nation. Sen. Luke Esser, R-Bellevue, couldn't predict, for example, whether another gas tax increase will be approved in Olympia.

Esser, like Murray, thinks lawmakers may have to develop another list of projects first so voters know where the new taxes go.

"There's no doubt in my mind we're going to need more revenue to do the important 'mega-projects' of the region," Esser said.

"However, I believe you put the cart before the horse to say, 'Raise taxes first'."

County denies EnXco wind farm

Commissioners: Impacts are too great

By Mike Johnston, Daily Record, Mar. 10

Kittitas County commissioners on Wednesday, after a nearly five-hour hearing, voted unanimously to turn down the Desert Claim Wind Power Project, declaring the impacts from the wind farm north of Ellensburg can not be adequately overcome.

The same commissioners last Thursday approved the 158-turbine Wild Horse Wind Power Project planned for Whisky Dick Mountain 13 miles east of Ellensburg.

"Residents are so close and scattered around the project that you can't really mitigate the impacts without having to affect their lives and alter their lifestyles," Commissioner Perry Huston said later about his vote on EnXco's proposal. "Mitigation is one thing, but you generally don't alter a person's lifestyle to mitigate the impacts of a project."
He said the three-member board tried to form a development agreement for the wind farm that would protect the existing neighborhood and still allow a viable project.

"We just couldn't get there," Huston said. "It just didn't work at that location."

EnXco USA Inc., a French-owned company with its U.S. headquarters in Palm Springs, Calif., filed with the county for approval of the 120-turbine project in January 2003. The county Planning Commission in October voted unanimously to recommend the commissioners deny the estimated $180 million project.

Commissioner Alan Crankovich said his vote late Wednesday reflected his concern with the character of the surrounding neighborhood. The project area takes in 5,237 acres eight miles north of Ellensburg between Reecer Creek and Wilson Creek roads. Turbines would be about 390 feet tall and spread from lower ridges of Table Mountain to Chukar Ridge.

"The question is whether this type of industrial activity could fit in there, and it didn't," Crankovich said.
He said EnXco officials didn't totally accept the county's requirement of 1,000-foot setbacks between turbines and undeveloped property. The company preferred 487-foot setbacks to undeveloped property and 1,000 feet from existing homes.

"There were just too many unanswered questions," Crankovich said. "There are no other wind farms that I know of that are located somewhere like this, in close proximity to homes and developing property."

Commissioner David Bowen said the county's code requires that the siting of wind farms be in such a way that they "protect the health, welfare, safety and quality of life of the general public."

"It also says the project can't be detrimental to the character of the surrounding neighborhood," Bowen said. "I voted against it because it was just not in the right location based on the requirements of our code."

David Steeb, project manager for the Desert Claim wind farm, said he was surprised at the commissioners' vote.

He said considerable company resources have been expended in planning for the wind farm, and he will be reviewing each of the commissioners' reasons for voting against the project.

"We will be examining all our options," Steeb said.

Debbie Strand, executive director of the Economic Development Group of Kittitas County, attended the long hearing The organization endorsed the wind farm and two other projects pending in the county.

"Personally, I'm disappointed in the decision, but I want to thoroughly study all the reasons for the commissioners' vote when they come out later in the findings of fact," she said.

The group endorsed the projects based on their economic benefits to the community in jobs and tax revenue, she said. Those benefits "still remain," she said.

Ed Garrett, spokesman for Residents Opposed to Kittitas Turbines, said more than 100 people attended the Wednesday hearing, and by his count 39 spoke against the wind farm and five spoke for it.

"The area is just not appropriate for an industrial wind farm because of the influx of rural residents into the project area," Garrett said.

There are more than 800 lots around the project area that can be developed into rural home sites, he said, and there are about 100 existing homes in the vicinity.

"I think EnXco has consistently underestimated the opposition to the project," Garrett said.

He said his small group's effort to battle wind farms in the Kittitas Valley has garnered attention worldwide. News of the EnXco denial likely will reach wind farm opponents as far away as Great Britain, he said.

Desmond Knudson of Ellensburg, a supporter of wind farm development in the Kittitas Valley, said he also was surprised at the commissioners' decision. He expected more debate among the commissioners on the merits of the wind farm.

"The opponents put on a good battle," Knudson said. "We all have our opinions on what should be done, but I'm disappointed for the property rights of the individuals where the wind farm would be located."

EnXco has agreements with eight landowners to place turbines on their property.

IEA Raises Demand Forecasts, Oil Tops $54

By REUTERS NYT, March 11, 2005

Oil prices rose back above $54 on Friday as the International Energy Agency said robust growth in the United States and China will pump up consumption even faster than expected this year.

U.S. light crude (CLc1) rose 71 cents to $54.25 a barrel after tumbling more than $1.20 on Thursday. Brent crudein London was up 42 cents at $53.08 on Friday, having set a record $54.30 on Wednesday.

The International Energy Agency said in its monthly Oil Market Report that estimated demand growth this year has been revised up by 290,000 barrels per day (bpd) to 1.81 million bpd, taking annual global consumption to 84.3 million bpd.

The IEA has revised its estimate for 2005 world demand growth up by 500,000 bpd in the last three months, as synchronous growth in the Chinese and U.S. economies proves more resilient than expected to the impact of higher energy costs.

``In real terms and relative to incomes oil prices are not yet at extreme levels," said Michael Lewis, head of commodities research at Deutsche Bank in a report.

``When crude oil prices are deflated by G7 consumer price inflation, we find that oil prices would need to rise to $60 a barrel and $100 a barrel in current nominal dollars to be equivalent to the two price peaks during the 1970s," Deutsche Bank said.

Prices this week came within 2 cents of October's all-time peak at $55.67 following a 12 percent gain in the past month driven by concern that rapid demand growth will strain oil supplies through this year.

Even so OPEC oil producers are keeping a close watch over rising crude stocks in developed countries ahead of the usual second-quarter slowdown, when temperatures warm up.

Iran, Qatar, Venezuela and Algeria have come out in favor of keeping production steady.

More support was seen in China's February crude oil imports, which bounced back from a 14-month low in January, a sign that demand in the world's second-biggest consumer was not slowing.

Long term supply security concerns also relaxed a little as Secretary of State Condoleezza Rice told Reuters Washington would offer Iran economic incentives to abandon its suspected pursuit of nuclear weapons, marking a major shift in policy.

Washington had previously refused to reward Iran for what it regards as bad behavior.

Governor declares drought emergency

Gregoire warns of 'tough summer'; some farmers face big cuts in water

By ANGELA GALLOWAY, SEATTLE POST-INTELLIGENCER REPORTER, Mar. 11

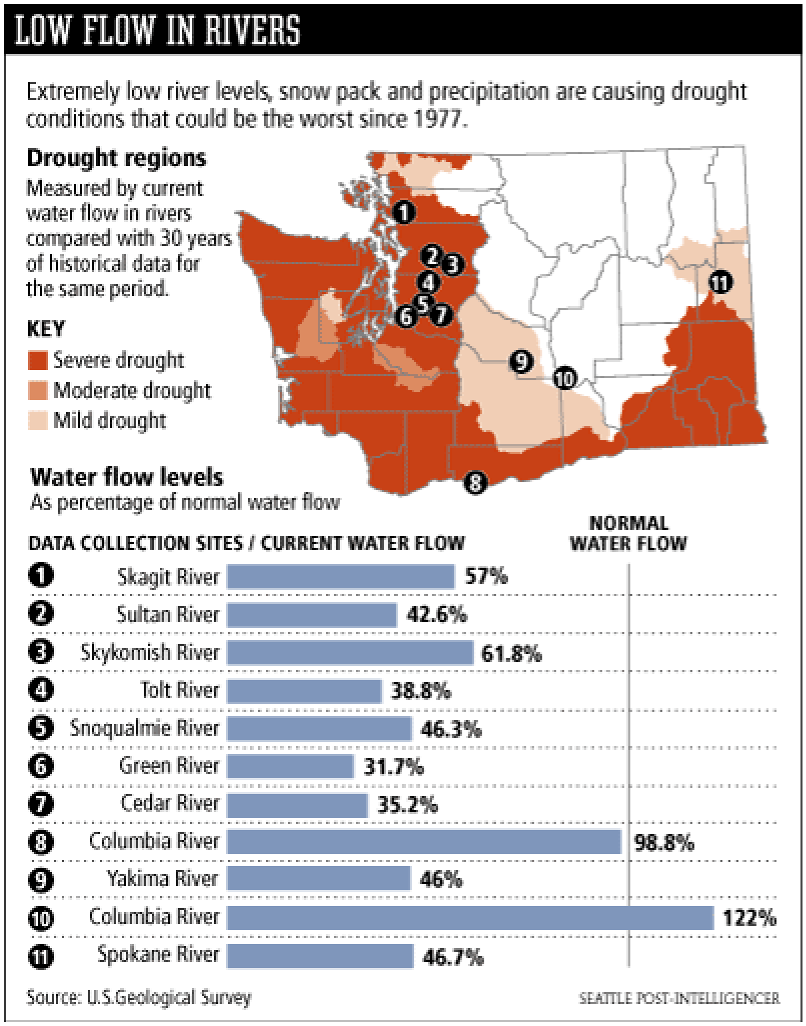
Last time, fire tore through 227,000 Washington acres. Millions of baby salmon died in streams and rivers that were too warm and too shallow. Farmers and orchardists lost entire crops.

Conditions this summer promise to be even more dire than the drought of 2001 for businesses, freshwater ecosystems and blaze-prone wild lands, scientists and state officials predict.

Declaring a statewide drought emergency yesterday, Gov. Christine Gregoire ranked it with the devastating drought of 1977.

"We're going to face a tough summer. And there is not going to be enough water to go around," Gregoire said.

"If we do everything we can do, we are not going to go without some (problems)."



A state drought declaration loosens environmental regulations to allow emergency water use and opens up a pot of assistance money. Gregoire also told state emergency officials and the National Guard to gear up for what's expected to be a grueling summer wildfire season.

But no action will protect those most hurt by drought, from manufacturers to river rafting companies, salmon to orchards, the Democratic governor acknowledged. Forecasters expect Washington to see at least several more months of warm, dry weather -- on top of already record-high temperatures and record-low precipitation.

"It's danged tough," said Charlie de la Chapelle, who owns an apple and pear orchard near Sunnyside in the lower Yakima Valley. "We've been in this industry for four generations, and this is the worst we've had. There will be dead and dying trees in July, and we will have to triage to save the most valuable crops.

"Too many of us will go out of business here, and I will do my best not to go out of business."

Some farmers with water rights can expect to get just 18 percent of their normal water this year.

For Western Washington, the unwelcome weather means low stream flows that will kill fish. And the soil's dryness leads to the death of streamside vegetation and to increased erosion. Even if rainfall returns to normal levels for the remainder of the year, state scientists predict, most of

Washington's watersheds would still have only between 22 percent and 50 percent of their normal supplies -- far below the 75 percent at which a drought is declared.

"The stability of our domestic water supplies is at stake," Gregoire said.

Already, the state is grappling with how to help the town of Roslyn deal with a potential shortfall of potable water.

Gregoire offered one bright note at her Yakima Valley news conference. She said the Bonneville Power Administration and local utilities in Western Washington have indicated they don't expect the drought to lead to rate increases. The 2001 drought compounded with the California energy crisis led to skyrocketing rates.

"We'll continue to watch the Columbia (River's flow levels)," said Sheryl Hutchison, spokeswoman for the state Department of Ecology. "But the bigger challenge is the tributaries."

East of the Cascades, it's most likely too late to hope for recovery, officials said. Central and Eastern Washington rely almost exclusively on snowpack runoff for farms and rivers -- not spring rain as in the west. The Washington snowpack is about 26 percent of normal, officials say.

"We know they're going to be in a world of hurt no matter what," Hutchison said. Barring an arctic blast of historic proportions: "Eastern Washington is not going to get better."

During a drought emergency, the state has increased authority to grant water transfers and permits to access wells and other water sources otherwise forbidden.

The state will try to lease or buy water rights from farmers, who agree to let their fields go fallow rather than drain water from tributaries. The drought declaration unlocks an emergency fund of $1.8 million. Gregoire said she plans to ask the Legislature for $8.2 million more, a figure on par with that available during the state's 1977 extreme drought.

Gregoire directed the interagency Emergency Drought Committee to prepare a command center and asked the National Guard to begin training to fight fires. She said she also requested help from Washington's congressional delegation in securing more federal money for farmers and fighting wildfires.

Along with fires and threats to fish, droughts bring another threat: political water wars.

"In a drought, the competition for the water becomes so intense," said Kathy Fletcher of People for Puget Sound. "It, unfortunately, becomes a competition between what's needed for the environment and what's needed for agriculture and other human use.

"If there's just plain not enough water, period, nobody wins."

Fletcher and other environmentalists said the drought is yet another indicator of the need for changes in Washington water policy. For example, the state has not set minimum flow standards to protect fish and other wildlife in most of the state's waterways.

And environmentalists complain the state prioritizes who gets water during rationing based on who has held their permits the longest, not who needs it the most. So-called "senior water users" will likely see little impact from the drought. But some "junior" water users will likely get less than one-fifth of the water they do in normal years.

"It is an old system that doesn't necessarily make a lot of sense in today's world," said Josh Baldi of the Washington Environmental Council.

At her news conference, Gregoire called on people to take whatever small steps they could toward conservation: shorter showers, fewer toilet flushes, and no visits to the carwash.

She also said it's time for systemic changes to water policy and conservation.

"Drought is getting to be, unfortunately for us all, too often an occurrence," Gregoire said.

WHAT YOU CAN DO

- In the kitchen, 10 to 20 gallons of water a day can be saved by running the dishwasher only when it is full. If dishes are washed by hand, water can be saved by filling the sink or a dishpan with water rather than running the water continuously. An open conventional faucet lets about 5 gallons of water flow every 2 minutes
- Turn off the faucet while brushing teeth or shaving.
- Take short showers rather than baths and turn the water off while soaping.
- As much as 150 gallons of water can be saved when washing a car by turning the hose off between rinses. Wash the car on the lawn to reduce runoff.

Source: U.S. Environmental Protection Agency

Lynden cow power plant is state's first

ENERGY PRODUCERS: Curious cows watch as attendees gather at the dairy farm of Darryl Vander Haak to learn about his anaerobic digester. Methane gas and digested fiber are recovered from the digestion process. ***PETE KENDALL*** *HERALD PHOTO*

ENERGY: $1.2 million digester produces methane from manure.

Serena Lei, The Bellingham Herald

One Lynden dairy farmer is taking a chance on a new type of renewable energy, proving that not even waste should go to waste.

Nearly 70 people attended an open house at Darryl Vander Haak's dairy farm Thursday to witness Washington state's first anaerobic digester convert manure into energy.

The manure is heated and broken down by bacteria and the resulting methane gas is collected and used to generate electricity.

"This gives us a different perspective on business," Vander Haak said. "Milking cows are our first love, but we have to do something with the other end too."

Puget Sound Energy has purchased the energy for electricity as part of its Green Power program. Under the program, customers can opt to pay an extra $4 a month to support alternative energy sources.

More than 1,400 Whatcom County residents have signed up for the program, as has Western Washington University.

Bellingham accounts for the second-highest number of Green Power customers behind Olympia, according to PSE.

Andgar, a Ferndale construction company, built the $1.2 million digester, which began supplying energy in November.

Bryan Van Loo, program manager for Andgar, and other experts said that the digester wouldn't be worth the cost if it weren't for the byproducts that can also bring in revenue.

The solids, or fiber, can be sold as compost and bedding soil and the liquid byproduct, rich with phosphorous and nitrogen, can be used for fertilizer.

In addition, the process cuts down on greenhouse gas emissions, protects water quality and reduces odor, keeping the neighbors happy.

Three farms contribute manure from some 1,000 cows. A pipeline brings manure in from Vander Haak's other dairy farm about two miles away, and DeeBee Dairy brings in manure by truck.

At full capacity, the digester can handle manure from 1,500 cows, creating enough electricity to power 180 homes.

Vander Haak Dairy received a $272,000 grant from the U.S. Department of Agriculture's Rural Development branch in 2003 to help fund construction of the digester.

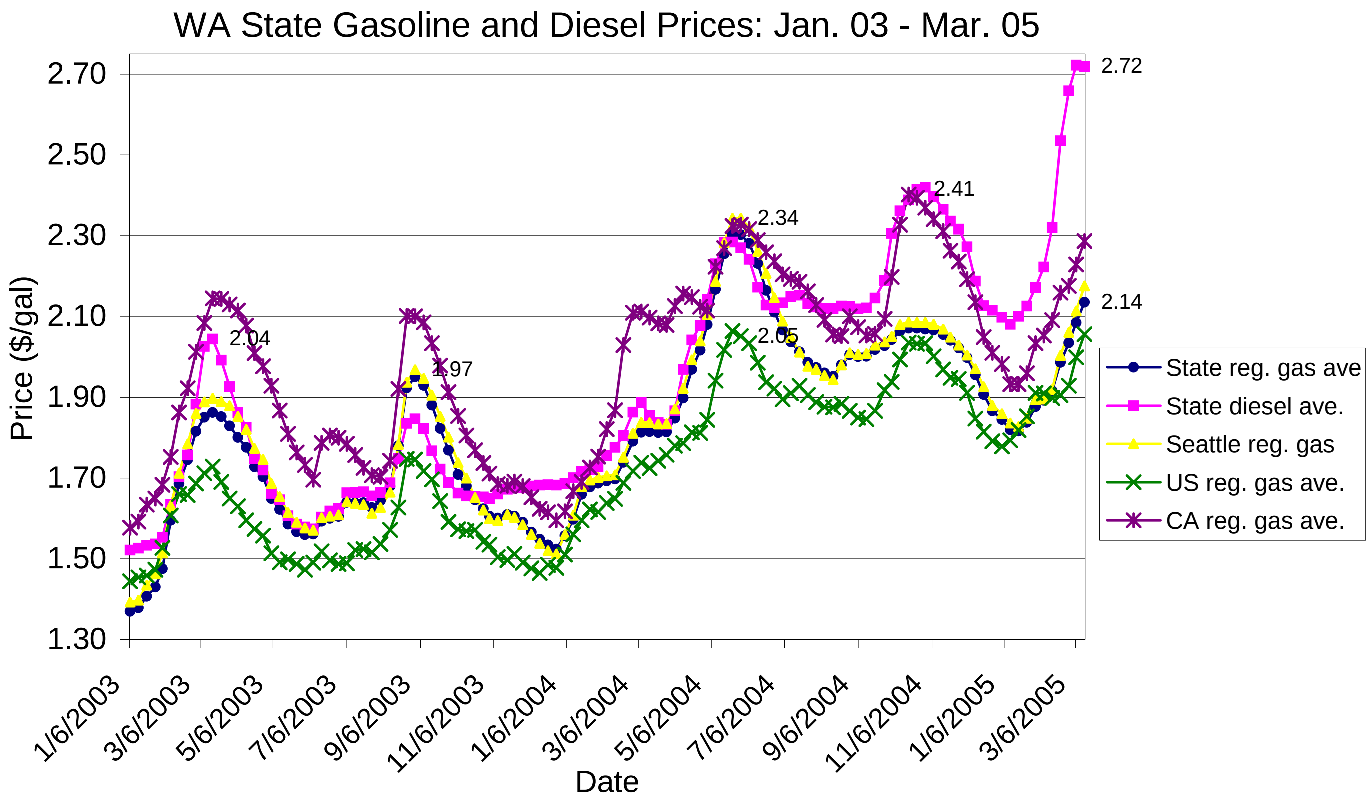
Vander Haak is being paid for power and research access to the digester and should see a 5 percent return over the next eight years, Van Loo said.

"It's been a team effort," Vander Haak said of the partnerships he developed with public and private organizations to support the digester.

The Whatcom Conservation District plans to award a $500,000 low-interest loan to another farmer to build a second digester but has not yet found any takers.

Farmers at the open house said they wanted to see how Vander Haak's digester did before investing in their own.

While Washington still has the nations' highest diesel prices, this past week showed prices leveling off, and then declining a small amount. State gasoline prices continued to increase rapidly, rising by 6 cents/gal for the week. Nationally diesel and gasoline prices continue to increase rapidly, primarily due to higher crude oil prices which hit $55/barrel on Tuesday: comparatively national prices are still 8 cents/gal. lower for gasoline and 52 cents/gal. lower for diesel. Energy analysts expect crude oil and fuel prices to reach record levels in the late spring and early summer.


WA State Gasoline and Diesel Prices: Jan. 03 - Mar. 05
Price ($/gal)
2.70
2.50
2.30
2.10
1.90
1.70
1.50
1.30
Date
1/6/2003
3/6/2003
5/6/2003
7/6/2003
9/6/2003
11/6/2003
1/6/2004
3/6/2004
5/6/2004
7/6/2004
9/6/2004
11/6/2004
1/6/2005
3/6/2005
2.04
1.97
2.34
2.05
2.41
2.72
2.14
State reg. gas ave
State diesel ave.
Seattle reg. gas
US reg. gas ave.
CA reg. gas ave.

Wednesday March 23, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (3/22): 47,891 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$57.3 - 49.3 per MWh, Ave. = $52.6
• Approximate change from previous week	$ +3.7 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$56.03 per barrel (year ago: $34.93)
• Seattle gasoline price (3/22)	$2.20 per gallon (year ago $1.84)
• Natural gas, Sumas Hub:	$6.39 per million British Thermal Units (year ago $4.80)
• Approximate change from last week.	Oil: +0.98 $ per barrel; Nat. gas: +0.43 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Climate change is called economic threat at talks (NYT, Mar. 16)
- OPEC agrees on more oil to control prices (NYT, Mar. 16)
- Officials predict no energy crisis from dry winter (Seattle Times, Mar. 18)
- Oil surge ignites price increase for consumer products (NYT, Mar. 23)
-

5. River and Snow Pack Information (Updated: Mar 22, 2005)

- Observed Feb. stream flow at The Dalles: 93.6% of average,
- Observed Mar. precipitation above The Dalles: 22% of average,
- Snow pack as % of average, Mar. 2005: 59%.
- Forecast Jan.-July 2005 runoff at The Dalles: 70.7 MAF, 66% of normal,
- Federal hydropower generation in Feb.: 7,878 aMW, 1995-2002 average: 9,960 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Mar. 22, 2005)

- Average flow of power during the last 30 days

o California (exported to)	1,707 MW
o Canada (exported to)	736 MW
o Net power export:	2,443 MW

Climate Change Is Called Economic Threat at Talks

By HEATHER TIMMONS
NYT: March 16, 2005

The British government gathered together environment and energy officials from 20 countries on Tuesday to discuss climate change, which Britain has declared a top issue as it takes the leadership of the Group of 8 industrialized nations.

Britain's finance minister, Gordon Brown, told the delegates here at the opening of the meetings that the changing climate could no longer be considered just an environmental issue, but a real threat to economic activity.

"We have sufficient evidence that human-made climate change is the most far-reaching and almost certainly the most threatening of all the environmental challenges facing us," Mr. Brown said. Problems from soil erosion to the depletion of marine stocks "threaten future economic activity and growth" around the world, he said.

Mr. Brown called on wealthy nations to solve these problems, both because they had caused them, he said, and because less developed nations will feel their effects more keenly. "Climate change is an issue of justice as much of economic development," he said.

The British government and the Bush administration differ over the importance of greenhouse gases, mostly notably in the Kyoto agreement on limiting emissions that went into effect last month without the backing of the United States.

The same day that Mr. Brown talked about cutting emissions, an American delegate, James L. Connaughton, chairman of the United States Council on Environmental Quality, told the BBC in an interview that the science was still contested. "We are still working on the issue of causation, the extent to which humans are a factor" in global warming, he said. He added, though, that they might well be a factor.

The United States rejected the Kyoto treaty, an international pledge to cut carbon emissions that went into effect last month, because the quotas assigned to the country were "unreasonable," Mr. Connaughton said. Instead, the United States government plans to focus on technology, he said.

At the meeting, a Chinese delegate, Liu Jiang, vice chairman of the country's National Development and Reform Commission, emphasized the country's willingness to work on controlling greenhouse gas emissions even as its rapid economic expansion continued.

OPEC Agrees on More Oil to Control Prices

NYT: March 16, 2005

OPEC producers on Wednesday agreed a two percent increase in oil supplies in an effort to rein in $55 crude.

The Organization of the Petroleum Exporting Countries said it raised production limits by 500,000 barrels a day to 27.5 million bpd with immediate effect.

The agreement gives the cartel president power to consult with ministers to trigger an additional 500,000 bpd later in the second quarter should prices fail to ease. Ministers scheduled their next meeting for June 7.

Saudi Oil Minister Ali al-Naimi said Riyadh was aiming to bring crude down to $40-$50 a barrel, the first time the world's biggest oil exporter has advocated support for prices that high. ``Current oil price levels of $55 are high and we want prices to be between $40 and $50 a barrel," Naimi told the London-based Arabic-language Al-Hayat newspaper.

Crude eased only marginally, U.S. futures trading off 15 cents at $54.68 a barrel by 1330 GMT and London Brent slipping 9 cents to $53.43 a barrel.

``OPEC are doing their best but it is a train that is difficult to stop," said Bob Finch, head of trade at independent oil trading house Vitol SA.

Investors from other financial asset classes have plowed into oil and commodities this year, driving U.S. crude to an average $48.87 in the year to date, up $7.40 from the 2004 mean.

``This story is not about the fundamentals, it's about the financials," said consultant Gary Ross of PIRA Energy.

``The investment community is looking beyond the short term fundamentals and wondering whether OPEC can meet forward demand growth without prices going sharply higher."

HOW MUCH REAL OIL?

Oil traders will be calculating how much actual extra oil OPEC's deal delivers.

Sheikh Sabah said the pact would bring 500,000 bpd of real new supply.

Gulf OPEC delegates said Saudi Arabia and Kuwait wanted to ensure real volumes were delivered to permit world inventories to build in the spring, when seasonal demand is at its lowest ebb.

The only producers with much spare capacity to tap, the two are ready to pump actual extra volumes of 500,000-700,000 bpd in the second quarter, the delegates said.

They said Gulf producers want to ensure a bigger-than-normal second quarter stockbuild to avoid further upward pressure on oil prices later in the year.

``This deal is about anticipating oil demand next winter," said Glenn Murray of GM oil brokers in Monaco.

``But the jury is out on whether they can store enough oil to meet that demand."

Global crude consumption is expected to hit 86.1 million bpd during the seasonal demand peak of the fourth quarter, up from 83.7 million bpd on average for the first nine months of 2005, according to projections from the Paris-based International Energy Agency.

Naimi said Tuesday Riyadh had already raised production by 250,000 bpd in anticipation of the deal with more to come next month. Kuwait said it would add 120,000 bpd in April.

Adding 2 million bpd from Iraq, exempt from a quota, total OPEC supply will be above 30 million bpd and close to September's 25-year production high.

Riyadh also says it will pump more in the second half of 2005 to meet another year of strong world fuel demand, fed by China's rapidly expanding economy.

Officials predict no energy crisis from dry winter

By William McCall Seattle Times, Mar. 18.

Drought may be threatening the Pacific Northwest and its hydroelectric capacity, but there will be no repeat of the 2000-01 Western energy crisis despite predictions of higher prices, officials said yesterday.

The latest estimate for the spring and summer runoff from melting snow in the mountains is only about 66 percent of normal, meaning there will be less water for irrigation, recreation and electricity generation.

As a result, a moderate increase in electricity prices is expected, the Northwest Power and Conservation Council was told at the end of a three-day meeting yesterday.

But despite a trend toward one of the driest years in the 77 years records have been kept for the Columbia River Basin, "the region has ample resources," John Fazio, one of the council's senior analysts, told council members.

He said demand has declined while generating capacity has increased since the energy crisis that began in 2000, when **drought** also affected the region, combined with failed utility deregulation in California and illegal manipulation of the wholesale power market by Enron, the Texas energy giant that went bankrupt.

"Are the lights going to go out? No," Fazio told the council, a federal agency created by Congress in 1980 to balance energy and environmental needs for Oregon, Washington, Idaho and Montana.

Runoff totaled only about 58 million acre-feet in 2001, at the end of the energy crisis. By comparison, the runoff should reach nearly 71 million acre-feet this year, if trends hold steady, Fazio said.

The council dropped plans to discuss a Bush administration proposal to force the Bonneville Power Administration to gradually boost its wholesale power rates to market levels after the Northwest congressional delegation was able to block the proposal this week.

Bonneville is one of four federal power-marketing agencies that serve the nation with wholesale electricity. Most of the BPA electricity is generated at hydroelectric dams along the Columbia River and is generally cheaper than other sources.

The council said last month the administration proposal would have amounted to privatization of Bonneville and could have cost Northwest ratepayers an additional $1 billion.

Meanwhile, a report released earlier this week by Oregon State University indicates there will be little relief during the spring or summer from the unusually dry weather.

The report by Oregon State and U.S. Forest Service researchers also suggests the Northwest faces the threat of more severe forest and rangeland fires this year than other areas in the nation, where unusually wet weather has been typical.

"We project that the **drought** severity the northwestern states are now experiencing will only get worse in coming months, and reach levels that were generally seen during the Dust Bowl of the 1930s," said Ronald Neilson, an Oregon State botanist who also advises the Forest Service.

The latest estimates for fire risk indicate the danger spots are in northeastern Oregon and southeastern Washington, along with parts of southwestern Idaho and Montana.

Oil's Surge Ignites Cost Increases For Products From Plastics to Shoes

By Timothy Aeppel, NYT, Mar. 23

The recent rise in oil prices is reverberating far beyond the world's energy-intensive industries, spurring cost increases for everything from military tents in Iraq and weed killer in Iowa to shoes and Barbie dolls in China.

The continuing surge is causing companies which a year ago saw higher oil prices as a passing phenomenon to rethink their strategies. Many are moving more aggressively to cut costs and raise prices to offset raw material and energy costs that now appear likely to stay high for the foreseeable future.

While rising oil prices are contributing to slower growth and higher inflation, they haven't yet threatened to derail the global economy, which remains robust and able to absorb the jolt, economists say. Some companies are absorbing higher fuel costs themselves, while others are passing on only a portion of the cost to customers.

Still, Germany, Italy and Japan, all of which had slower growth than the U.S. before oil prices started rising in late 2003, have seen their economies contract partly because of higher oil costs. Many developing countries also are struggling with higher oil bills.

In the U.S., the Federal Reserve yesterday said the rise in energy prices "has not notably fed through to core consumer prices" as it raised the federal funds rate a quarter point to 2.75% for the seventh time since June. The rate is charged on overnight loans between banks. But the Fed did warn of growing pressures on inflation. And the Labor Department said higher energy and food prices fueled a 0.4% jump in producer prices last month.

The price of oil futures, meanwhile, closed down $1.43, or 2.5%, at $56.03 a barrel on the New York Mercantile Exchange, off the all-time peak of $57.60 hit last Thursday. In inflation-adjusted terms, oil prices remain well below where they were in the 1970s and 1980s.

Around the globe, rising oil prices are percolating in myriad ways. Airlines are suffering, for instance, but the direct impact on cargo carriers is more severe, because they often fly bigger, four-engine planes, travel longer routes and stay in the air more hours. Still, intense competition among passenger carriers has forced airlines to absorb more of the cost of increased fuel, while carriers have passed costs on to customers.

Meanwhile, the prices of materials derived from oil, including plastic and synthetic rubber, also are going up, affecting computers, packaging and car tires. Even military tents have been hit. Seaman Corp., which buys petroleum-based coatings for industrial fabrics used among other things for tents the U.S. military sends to Iraq, saw a double-digit price jump in oil-derived raw materials just before Christmas. It recently was told to expect another wave of increases within 90 days. The closely held Wooster, Ohio, company has passed part of the increase on to its customers, but also has seen its profit margins squeezed.

In the U.S. farm sector, some economists expect profit to drop about 20% this year from last year's record high of $74 billion, in part because soaring energy costs are raising prices on everything from fuel and fertilizer to weed killer.

In Iowa, corn farmers are paying 20% more to fertilize their fields this spring with anhydrous ammonia, a nitrogen-rich chemical made from natural gas. Prices for natural gas, used broadly in manufacturing, chemicals and power generation, have tracked oil's rise and are near their historic highs. Meanwhile, makers of many pesticides, which use petroleum-derived compounds, are trying to pass along higher costs with retail price boosts this spring of 3% to 5%.

The long-term effect of such changes is unclear. Ken Rogoff, a Harvard University economics professor and former chief economist for the International Monetary Fund, says a key difference between today and the oil crisis of the 1970s is the transformation of "inflation expectations." Three decades ago, higher oil prices quickly spiraled into wage and price inflation. Since then, central banks around the world have proven able to move quickly to stem inflationary pressures by tightening monetary policy.

"As long as everyone believes the world central banks will raise rates fast enough to anchor inflation expectations, oil won't matter," says Mr. Rogoff.

Still, some economists warn that if oil rises to a higher level and stays there, as some analysts predict, consumers could stop spending, curtailing economic growth. The scenario is that spending cuts would eat into employment, further damping consumer sentiment.

Moreover, companies face other sources of inflationary pressure besides oil and natural gas. Commodities of all types, particularly key metals such as copper, have soared recently, while a weaker U.S. dollar has exposed the U.S., China and other dollar-linked economies to import-price inflation.

Though consumers so far are absorbing higher gasoline prices at the pump, they are being hit in other ways. At a recent conference, Mattel Inc. Chairman and Chief Executive Robert Eckert told analysts and investors the toy maker was forced to take "a very modest price increase" of 2% to 4% in January on its products, including Barbie dolls, to partially offset what he sees as a long-term higher cost level for key materials and services linked to oil. Those include resin plastic, a petroleum-based product that is a universal component of Barbie and other toys, as well as transportation. Barbie dolls are made in China and Indonesia and distributed world-wide.

Rising oil also is boosting the cost of raw materials for diapers, pantiliners, Swiffer dusters and other consumer products made with petroleum-based fabrics. Polymer Group Inc., a producer of fabrics made from petroleum-based products, said on Friday that rising costs of polypropylene and other key petroleum-based raw materials have forced it to raise prices globally, including on all products sold in the U.S.

The North Charleston, S.C., company said the price of polypropylene climbed more than 50% in 2004 and has risen an additional 10% to 15% since December. Polyester prices also have risen 15% since January, the company said. Dennis Norman, a Polymer Group spokesman, declined to specify how large price increases will be and said they will vary by global region. The company operates 21 manufacturing facilities in 10 countries.

Polymer Group says its largest customer is Procter & Gamble Co. P&G declined to comment on whether the company would raise prices on its products using PGI material.

Similar effects are being felt outside the U.S. Europe was somewhat buffered from rising oil prices last year by the weakness of the dollar against the euro. That made oil imports less costly than they would have been otherwise. But a relatively stable exchange rate this year has meant Europe has felt the renewed rise of oil prices fully.

High oil prices were one factor that recently led Germany's BMW AG to warn its 2005 profit might not be quite as high as last year's record mark. The Munich-based luxury-car maker says it expects its 2005 results to be "approximately" at last year's level, suggesting they might be lower, even though the company foresees record sales volumes this year.

In China, costlier oil has rippled through the fast-growing manufacturing sector in the form of higher costs of plastic and other petroleum-based materials that are used to make everything from toys to pharmaceuticals to house paint. So far, manufacturers have managed to absorb much of these costs without prompting higher prices for consumers. Strong and rising demand around the globe for Chinese products means many companies are enjoying growth in their overall profits even as high oil prices diminish their profit margins.

But there are indications the situation could change if oil prices stay high. Paul Goodman, chairman and CEO of DFP Shoe Co., a maker of women's footwear in southern China, says that during much of last year, fierce competition prevented him from raising his shoe prices even as the cost of polyurethane and other inputs rose sharply with the price of oil.

In recent months, he said, he and his competitors have increased the amount they charge their buyers by about 5%. The increase is still smaller than the rise in production costs. "You can't just whack buyers over the head" with a big jump in price, he said. Still, he said, he anticipates shoe prices will continue to creep up if oil prices don't come down.

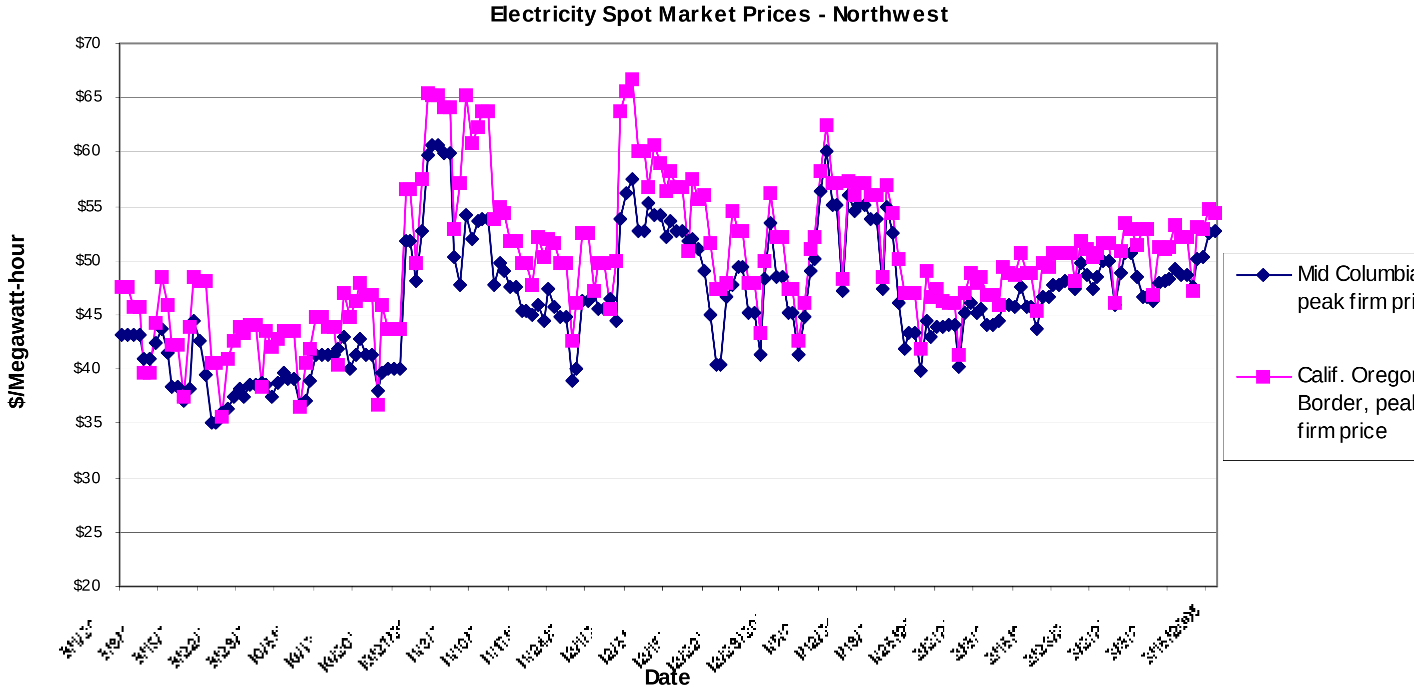
High oil prices are costing manufacturers in other ways. Chronic electricity shortages throughout China have led many factories to purchase generators that run on diesel fuel. China's electric grid becomes especially strained in the summer, when air conditioners are running across the country, and higher oil prices will mean higher diesel costs as the weather heats up.

Companies world-wide also are stepping up efforts to curb energy use in the face of higher prices. Kerry's Bromeliad Nursery Inc. in Homestead, Fla., one of the U.S.'s largest commercial orchid growers, has been hammered by the rising price of natural gas to heat its greenhouses as well as surcharges on shipping plants to big box retailers like Home Depot. The company recently put insulated shades in its greenhouses that can be closed at night to cut the heat loss, shaving more than 20% off its heating bills.

"When you're standing next to a three-inch gas main hissing loudly," said President Kerry Herndon, "you're listening to the sound of money burning."

State Energy Summary

State diesel prices declined slightly last week as the supply situation eased are now only the second highest in the nation (Hawaii has regained the lead). State gasoline prices continued to increase, rising by 2.5 cents/gal for the week. Nationally diesel and gasoline prices continue to increase rapidly, primarily due to higher crude oil prices, which hit $57/barrel last week. Because of the threat of drought, spot electricity prices have been increasing steadily for the last several months and are about $10/Meagawatt-hour higher than this time last year (see chart below)


Electricity Spot Market Prices - Northwest
$/Megawatt-hour
$70
$65
$60
$55
$50
$45
$40
$35
$30
$25
$20
Date
Mid Columbia peak firm pri
Calif. Oregon Border, peak firm price

Wednesday March 30, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (3/29): 46,740MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$51.5 – 61.0 per MWh, Ave. = $54.7
• Approximate change from previous week	$ +2.1 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$54.24 per barrel (year ago: $36.45)
• Seattle gasoline price (3/29)	$2.27 per gallon (year ago $1.83)
• Natural gas, Sumas Hub:	$6.54 per million British Thermal Units (year ago $4.53)
• Approximate change from last week.	Oil: -1.79 $ per barrel; Nat. gas: +0.15 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Carmakers in Canada to cut emissions (NYT, Mar. 24)
- China, US interests conflict: competition for Mid East oil (Washington Times, Mar. 25)
- Drawing the line on energy (NYT, Mar. 29)
- Drought still ahead despite record rainfall (Seattle PI, Mar. 28)
-

5. River and Snow Pack Information (Updated: Mar 22, 2005)

- Observed Feb. stream flow at The Dalles: 93.6% of average,
- Observed Mar. precipitation above The Dalles: 22% of average,
- Snow pack as % of average, Mar. 2005: 59%.
- Forecast Jan.-July 2005 runoff at The Dalles: 70.7 MAF, 66% of normal,
- Federal hydropower generation in Feb.: 7,878 aMW, 1995-2002 average: 9,960 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Mar. 29, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 1,574 MW
  - Canada (exported to) 875 MW
  - Net power export: 2,449 MW

Carmakers in Canada to Cut Emissions

By IAN AUSTEN, NYT March 24, 2005

Major automakers have agreed to cut the emissions of greenhouse gases by the end of the decade, Canada's minister of natural resources said Wednesday.

While offering little detail, the minister, John Efford, told Canada's House of Commons that a deal had been reached. News of the agreement was first reported by The Globe and Mail of Toronto.

"I'm pleased to announce today," Mr. Efford said, "that we have indeed reached a voluntary agreement with the Canadian auto sector to reduce greenhouse gas emissions."

The successful negotiations in Canada are a distinct contrast to the situation in the United States, where California's attempts to legislate emissions have run into strenuous legal challenges from automakers.

"Just getting the industry to the table is a huge accomplishment," said John Bennett, a senior policy adviser for the Sierra Club of Canada, which has been pushing for improved automobile efficiency as a crucial element of the country's commitments under the Kyoto protocol on climate change.

"Nobody else has been able to do that in North America," he said.

In Washington, Dan Becker, the director of the Sierra Club's Global Warming Program, said that the cost of producing separate models for Canada combined with the industry's continental integration could mean that the agreement would help bring more efficient vehicles to the United States as well.

"The Canadian government has managed to bludgeon the auto industry into submission," Mr. Becker said.

Mark Nantais, the president of the Canadian Vehicle Manufacturers' Association, which represents the Ford Motor Company of Canada, General Motors of Canada and DaimlerChrysler Canada, said the pact emerged from "very intense" negotiations since early February. But Mr. Nantais said his group would not comment until a formal announcement is made in the next week to 10 days.

Adrian Coleman, the director of technical affairs for the Association of International Automotive Manufacturers of Canada, which includes most of the major Asian and European makers, confirmed that his membership was part of the agreement but also declined to comment.

But Mr. Becker and Bob Mills, who holds the position of environment critic in the opposition Conservative Party, said they had both been informally told that the automakers agreed to cut their vehicles' greenhouse gas emissions by a total of 5.3 million to 5.4 million metric tons by 2010.

Mr. Becker said that would require an industry wide fuel efficiency improvement of about 25 percent.

Mr. Mills expressed some skepticism about putting such a change in place in less than five years.

"The technology is there but the timeline is very short," Mr. Mills said.

Thomas C. Austin, an automotive engineer at Sierra Research, an environmental consulting company in Sacramento that provides services to auto companies, said the target was difficult to assess without details.

However, he added, Canadians' preference for smaller cars - DaimlerChrysler's introduction of the Smart microcar has been very successful - will ease the industry's job somewhat.

"Based on the Canadian model mix, most manufacturers have a head start," Mr. Austin said.

Exactly what will happen if the car companies do not meet their commitment is not clear. Mr. Mills and Mr. Becker said Canada's environment minister, Stephane Dion, was trying to amend the country's Environmental Protection Act so that it would cover greenhouse gases as well as traditional toxic pollutants.

That would give the government the ability to act through regulations if the automakers did not meet the terms of the agreement.

Mr. Dion's office did not respond to requests for comment.

China, U.S. interests conflict; Competition for oil in Middle East increasing

Mar 25, 2005 - Washington Times, By Barton W. Marcois and Leland R. Miller

Lost amid the responses to President Bush's 2005 State of the Union speech was that of China's phlegmatic Foreign Ministry spokesman Kong Quan. Twice asked by a reporter whether China shared the president's hope that democracy would take root in the Middle East, Mr. Kong artfully evaded the question, merely hinting that the issue was not on China's agenda.

In fact, China's agenda is so different that it threatens to seriously undermine American initiatives in the Middle East.

The United States and China have never seen eye-to-eye in the region, but the reasons for this have evolved over time. China's diplomacy in the Middle East began in the 1950s as an ideological crusade in support of socialist Arab leaders such as Egypt's Gamal Abdel Nasser, but by the 1970s its focus had shifted to weapon sales. By the 1990s, China was actively supplying ballistic missiles to Syria, missile technology to Libya, and sensitive missile and nuclear technology to Iran and Iraq.

In the new millennium, China's Middle Eastern strategy has shifted again, from part-time arms salesman to outright energy diplomacy. Under China's current Five-Year Plan, which publicly introduced the concept of energy security, China unveiled its "Twenty-first Century Oil Strategy" in February 2003. While this $100 billion program has a variety of domestic components, priority one is the securing of new energy sources abroad.

The urgency of this mission can hardly be overstated. Since 2000, China has accounted for nearly 40 percent of the growth in world oil demand and is now the world's No. 2 oil importer. Experts predict the Chinese demand for crude will increase annually by 12 percent until 2020 and by 2025 China's daily imports will exceed that of the entire continent of Europe. To avert this growing crisis, China is undertaking major efforts to expand its energy relationships in Central Asia, Latin America and Africa.

Yet here is where the conventional wisdom collides with the present reality. Many scholars have simply accepted that China wants to lessen its dependence on the volatile Middle East and the long, vulnerable supply lines through the Indonesian archipelago. All true. But what is actually happening right now is that China's dependence on the Middle East is increasing, not just in absolute terms but as a percentage of its oil imports. Five of its top six oil suppliers (Saudi Arabia, Iran, Oman, Yemen, and Sudan) are located in the Middle East, a region that now provides more than 60 percent of China's total crude imports.

This figure may rise to 70 to 80 percent over the coming decade.

On first glance, this may seem surprising. How can China hope to compete in the crowded Middle East with other oil-hungry nations, particularly the United States?

The answer is that China plays by a different set of rules. As China's support for the rogue regimes in Iran and Sudan has made clear, moral constraints and human-rights considerations are not pillars of Beijing's foreign-policy calculus. While Tehran threatens to go nuclear and Khartoum continues its genocide in Darfur, Beijing has used its clout (and U.N. veto) to shield these regimes from international sanctions. In return, it receives entree into two important energy markets.

Furthermore, unlike private Western oil companies who are beholden to shareholders and profit margins, Chinese state-owned oil- traders have been given the mandate to secure long-term energy relationships by offering hugely discounted rates, production- sharing arrangements and technical know-how. The fact that China has overpaid for recent ventures in Oman, Sudan and elsewhere is telling. Rather than investing in money-makers, China is buying footholds throughout the Middle East.

These footholds are popping up everywhere. While China's relations with Saudia Arabia and Iran have received the most press, its dealings in countries such as Oman and Sudan are even more extraordinary. In Sudan, China is the single largest shareholder of an oil company consortium that dominates Sudan's oil industry and the chief investor in the country's largest pipeline. In Oman, a phenomenal 85 percent of the country's oil exports is currently earmarked for Beijing.

China is also ensconced elsewhere: In 2004, China inaugurated its first joint oil venture with Syria, made major inroads into Yemen, and expanded its presence in Egypt, Libya and Algeria. To safeguard these assets, China is constructing a massive harbor for oil tankers in Gwadar, Pakistan, at the tip of the Persian Gulf. This will allow it a permanent naval presence in the Arabian Sea.

From these developments, two observations can be made: First, China is now a major regional player - and one that clearly does not share the American vision of a free and democratic Middle East. Second, China's Middle East agenda is quickly shaping up to be a direct challenge to that of the United States'. In addition to remaining a strategic competitor for resources, China's leverage may become increasingly dependent on its ability to undercut U.S. initiatives.

If China has indeed adopted the role of spoiler, as its recent actions in Iran and Sudan seem to indicate, then Chinese intransigence - not Islamic extremism - may prove to be the X factor in the 21st century Middle East.

Barton W. Marcois, a principal at RJI Capital Corp., served as principal deputy assistant secretary of Energy under President Bush. Leland R. Miller, a China specialist, is a lawyer in New York.

Drawing the Line on Energy

By JAMES BROOKE

NYT March 29, 2005

Midway between Okinawa and China, the Ramform Victory, a Norwegian seismic ship, is performing routine survey work, trawling with long seismic cables and using sound waves to create three-dimensional images of oil and gas deposits. But nothing is routine when Japan commissions a survey of what is hidden below the contested waters of the East China Sea.

Chinese coast guard ships treat the surveyors as spies, radioing warnings to leave and shadowing the ship for days on end. On one occasion, the Chinese ships nearly collided with the vessel. Japan's trade minister, flying in a Japan coast guard plane, conducted an ostentatious survey, circling over the bright yellow gas production platform that China is building a mile west of waters claimed by Japan.

Confronting the Chinese face to face, the trade minister, Shoichi Nakagawa, later sat in front of a Chinese negotiator, dropped two straws in a glass of orange juice, and, forgoing customary Japanese politeness, complained that China was about to "suck out Japan's resources with a straw." The seismic ship, he said, according to ministry officials, found that two deposits under development by China extend into Japanese economic waters.

In days of sharply higher energy prices, long-dormant border disputes have suddenly come alive for Japan, the world's second-largest energy-consuming nation after the United States. Galling Japan is a realization that large deposits of oil and gas lie on the nation's watery fringes. Long cocooned by these water buffers, Japan is suddenly bumping shoulders over undersea oil and gas resources with China, South Korea and Russia.

[In talks in Tokyo on Monday between Japan and China, the world's second- and third-largest oil consumers, Japanese negotiators again demanded that China share its drilling data or drop the project, news agencies reported. The Chinese side rejected the demands and repeated an earlier proposal for a joint venture.

[But calls are mounting for a Japanese-only project in waters of the East China Sea that both nations claim. On Friday, a ruling party panel urged Japan's government to invite Japanese companies to drill in the area, a call bolstered by the simultaneous release of a Foreign Ministry report that China conducted 22 "illegal" surveys of Japanese economic waters last year, triple the number in 2003.]

Tensions are also flaring between Japan and South Korea over a disputed island group. The Korea Gas Corporation announced in mid-March a 10-year, $225 million investment program to develop what the state-run company said was $150 billion worth of gas hydrate deposits, roughly equivalent to South Korea's natural gas needs for 30 years.

To the north of Japan, Japanese companies are investing about $1 billion a year to develop oil and gas reserves off Sakhalin, a Russian island that was half-owned by Japan until the end of World War II.

But in the fall of 2004, Asia's broadest economic shoulders, China and Japan, bumped over a pipeline to ship Siberian oil. Japan won the first round when Russia went for billions of dollars in Japanese financing to build the line to the Sea of Japan.

In response, the Chinese prime minister, Wen Jiabao, announced at a recent Beijing news conference that over the next 18 months, Russian oil exports to China by rail would increase by 50 percent, to 300,000 barrels a day. The Russian government and President Vladimir V. Putin, he added, "have made it very clear that first consideration will be given to China when they build the Siberian oil-gas pipeline."

Spurred by high energy prices, China is pursuing a new energy realpolitik. Entering the Americas, Chinese energy officials are running rings around the United States, exploring deals with Canada, Cuba, Mexico and Venezuela. In Northeast Asia, the fact that China now is Japan's largest trading partner is not stopping China from potentially draining gas from what Japan calls its exclusive economic zone.

"The exclusive economic zone is a microcosm of the Sino-Japanese rift," said Jeffrey Kingston, an American historian who directs Asian studies at Temple University Japan in Tokyo. "Japan won Round 1 on the pipeline. Now, China is getting increasingly desperate."

In the energy brinkmanship on the high seas west of Okinawa Island, China's $1 billion project is to pump its first gas in August, sending the fuel through a 300-mile pipeline to Shanghai. Compounding Japan's loss of face, Mr. Nakagawa told Parliament in February that the first 260 miles of the line was built with $120 million of Japanese development aid. He confessed, "It is truly regrettable that this sort of thing happened."

Japan now is tripling its research budget in the East China Sea, to $125 million in 2005. Japan is also spending $100 million to build its own seismic survey ship. On Feb. 22, the day after Prime Minister Junichiro Koizumi appealed to make the East China Sea "a sea of cooperation, not a sea of conflict," Mr. Nakagawa told reporters, "We will definitely call on China to stop its work." He added that he might soon authorize two Japanese companies to start drilling in the contested area.

To strengthen oil and gas exploration worldwide, Japan is to disband the Japan National Oil Corporation, its state-run energy exploration company, on April 1. With a record of drilling largely dry holes in its 305 projects around the world, this company ends 38 years of existence with almost $7 billion in losses. Its successor, the Inpex Corporation, was listed on the Tokyo Stock Exchange in the fall of 2004 and is to be run on profit-making lines. Inheriting some of the state company's oil and gas reserves, Inpex will start as a midsize multinational exploration company, similar in reserves to Unocal.

Over the next three years, Japanese oil companies and trading houses are to invest about $20 billion in oil and gas exploration and production, roughly double the level of the last three years, according to Nihon Keizai Shimbun. Since the late 1960's, China and Japan have suspected that the waters between China and Okinawa Island contain large deposits of oil and gas.

"In the Japanese area, there is high possibility we can find not only gas, but oil," Tsutomu Toichi, managing director of the Institute of Energy Economics, a nonprofit group in Tokyo, said in an interview.

With the economic boundary in dispute, Asia's two giants had let the energy riches lie untouched. Instead, they focused on their larger economic relationship.

Soon, China became Japan's largest destination for foreign investment. Last year, China displaced the United States as Japan's largest trading partner. But with China's economy growing at 9.5 percent last year, and at an annual rate of 8.4 percent since 2000, Chinese officials fret that energy shortages will cap growth.

Over the next 25 years, China's dependency on imported oil is forecast to double, hitting 80 percent of its total consumption, according to forecasts by the International Energy Agency, an intergovernmental agency based in Paris.

In one setback, two foreign companies, the Royal Dutch/Shell Group and Unocal, dropped out in the fall of 2004 from the Chinese gas development west of here, then China's largest gas joint venture with foreign partners. Both companies cited commercial reasons.

A high-ranking Japanese energy official who insisted on not being identified, however, took a different view: "Commercial reasons include political risks. I think they judged that it's not worth doing, even taking political risks."

Undeterred, the Chinese partners, the China National Offshore Oil Corporation and the China Petrochemical Corporation, said they would march ahead with plans to start producing in the summer of 2005. The Chinese may have the last laugh. China National is considering a $14 billion takeover of Unocal.

As Chinese workers extend the seabed pipeline to the edge of Japan's claimed economic waters, Chinese diplomats reject Japanese demands that China share drilling data on the reservoirs. On Feb. 18, Mr. Nakagawa, the Japanese trade minister, said that preliminary results from his agency's 2004 survey work indicate that two of three major gas fields China plans to develop in the area extend into Japan.

"We demand that China hand over data and stop exploration in the East China Sea until this problem is resolved," said Mr. Nakagawa, a conservative with prime-ministerial ambitions.

China's Foreign Ministry spokesman, Kong Quan, replied that the two fields "completely fall under the framework of China's rights."

As the coast guards of both countries brace for confrontations, Yomiuri Shimbun has reported that Beijing has awarded Chinese energy companies exploration rights over 12 blocks that extend into Japanese economic waters. Three of the 12 are entirely inside the Japanese economic area.

At the heart of the dispute are different legal interpretations of each nation's exclusive economic zone. The United Nations Convention on the Law of the Sea gives each coastal nation an economic control zone extending 200 nautical miles, or 230 standard miles, from shorelines.

But the distance between Okinawa and China is about 400 miles. Japan advocates a median line between the two countries. China advocates using as its economic border the eastern extension of the continental shelf, an approach that moves the economic border to an area 50 miles west of the Okinawa archipelago.

"The center line is only a Japanese proposal and isn't a mutually agreed border as a result of negotiations between the two countries," Wang Yi, China's ambassador to Japan, told reporters last October at a news conference in Tokyo. "It isn't fair to use this borderline to judge which side is right or wrong."

Drought still ahead despite weekend's record rainfall

SEATTLE POST-INTELLIGENCER STAFF, Mar. 28

What drought? Sunday's rainfall, measured at 0.64 inches at Sea-Tac Airport, matched the 1968 record for the day.

The downpour came after Saturday's rainfall of 1.51 inches broke the record for March 26.

But is this soggy weather enough to drown out the drought? Not yet, said Johnny Burg, a weather service meteorologist in Seattle. The region's precipitation still is 9 inches below normal for the water year, which begins in October.

"If we can get 7 to 8 more inches of rain soon, that might put a serious dent in the drought," Burg said.

State Energy Price Summary

Crude oil prices were at record levels last week, but have subsided a bit over the last several days. A tight balance between supply and demand is the primary cause of the high prices: demand growth in the US, China and India is strong, and supply additions are barely able to keep up with this growth. Another factor is the decline in the dollar – oil is priced in dollars, so exporting nations strive to maintain their income flow by raising prices as the purchasing power of the dollar declines. Nationally prices for gasoline and diesel continue to increase, while in Washington gasoline prices increased by 5 cents/gal. and diesel prices declined by 4 cents/gal over the past week. High crude oil prices are propping up natural gas prices which are at near record levels for this time of the year. Because of low reservoir levels spot electricity prices continued to move up at the Mid C trading hub averaging $54.7/Megawatt-hour, about 25% higher than last year at this time.